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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 27, 2008

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 333-141128-05

FREESCALE SEMICONDUCTOR HOLDINGS I, LTD.

(Exact name of registrant as specified in its charter)

BERMUDA	**98-0522138**
(Jurisdiction)	**(I.R.S. Employer Identification No.)**
6501 William Cannon Drive West **Austin, Texas**	**78735**
(Address of principal executive offices)	**(Zip Code)**

(512) 895-2000
(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ☐	Accelerated Filer ☐
Non-Accelerated Filer ☒	Smaller reporting company ☐

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

There is no public trading market for the registrant's common stock. As of July 18, 2008, there were 1,012,066,382 shares of the registrant's common stock, par value $0.005 per share, outstanding.

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PART I – FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

Freescale Semiconductor Holdings I, Ltd. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

(in millions)	Three Months Ended		Six Months Ended	
	June 27, 2008	June 29, 2007	June 27, 2008	June 29, 2007
Net sales	$ 1,472	$ 1,376	$2,877	$ 2,737
Cost of sales	840	809	1,653	2,026
Gross margin	632	567	1,224	711
Selling, general and administrative	175	165	341	325
Research and development	293	286	571	576
Amortization expense for acquired intangible assets	273	346	545	691
Reorganization of businesses and other	25	38	51	38
Merger expenses	3	—	5	3
Operating loss	(137)	(268)	(289)	(922)
Other expense, net	(146)	(188)	(336)	(386)
Loss before income taxes	(283)	(456)	(625)	(1,308)
Income tax benefit	(99)	(168)	(196)	(481)
Net loss	$ (184)	$ (288)	$ (429)	$ (827)

See accompanying notes.

Freescale Semiconductor Holdings I, Ltd. and Subsidiaries
Condensed Consolidated Balance Sheets

(in millions, except per share amount)	June 27, 2008 (Unaudited)	December 31, 2007
ASSETS		
Cash and cash equivalents	$ 502	$ 206
Short-term investments	697	545
Accounts receivable, net	706	542
Inventory	724	779
Other current assets	425	712
Total current assets	3,054	2,784
Property, plant and equipment, net	2,296	2,517
Goodwill	5,345	5,350
Intangible assets, net	3,385	3,918
Other assets, net	585	548
Total assets	$ 14,665	$ 15,117
LIABILITIES AND STOCKHOLDER'S EQUITY		
Notes payable and current portion of long-term debt and capital lease obligations	$ 92	$ 93
Accounts payable	473	385
Accrued liabilities and other	721	574
Total current liabilities	1,286	1,052
Long-term debt	9,278	9,380
Deferred tax liabilities	897	1,114
Other liabilities	390	381
Total liabilities	11,851	11,927
Stockholder's equity:		
Common stock, par value $.005 per share; 2,000 shares authorized, 1,012 issued and outstanding at June 27, 2008 and December 31, 2007	5	5
Additional paid-in capital	7,180	7,138
Accumulated other comprehensive earnings	58	47
Accumulated deficit	(4,429)	(4,000)
Total stockholder's equity	2,814	3,190
Total liabilities and stockholder's equity	$ 14,665	$ 15,117

See accompanying notes.

Freescale Semiconductor Holdings I, Ltd. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in millions)	Six Months Ended June 27, 2008	Six Months Ended June 29, 2007
Net cash provided by operating activities	$ 539	$ 30
Cash flows from investing activities:		
Capital expenditures	(159)	(164)
Proceeds from sale of property, plant and equipment and assets held for sale	281	17
Sales and purchases of short-term investments, net	(153)	220
Payments for acquistion of businesses, net of cash acquired	(94)	—
Proceeds from sale of businesses and investments	12	—
Payments for purchase licenses and other assets	(40)	(31)
Other	(5)	—
Net cash (used for) provided by investing activities	(158)	42
Cash flows from financing activities:		
Payments for long-term debt, capital lease obligations and notes payable	(95)	(20)
Other	—	(2)
Net cash used for financing activities	(95)	(22)
Effect of exchange rate changes on cash and cash equivalents	10	1
Net increase in cash and cash equivalents	296	51
Cash and cash equivalents, beginning of period	206	177
Cash and cash equivalents, end of period	$ 502	$ 228

See accompanying notes.

Freescale Semiconductor Holdings I, Ltd. and Subsidiaries

Notes to the Condensed Consolidated Financial Statements
(Dollars in millions, except as noted)

(1) Basis of Presentation

On December 1, 2006, Freescale Semiconductor, Inc. ("FSL, Inc.") was acquired by a consortium of private equity funds (the "Merger"). The consortium includes The Blackstone Group, The Carlyle Group, funds advised by Permira Advisers, LLC, TPG Capital and others (collectively, the "Sponsors"). The Merger was accomplished through the terms of an Agreement and Plan of Merger entered into on September 15, 2006 (the "Merger Agreement") by and among FSL, Inc., Firestone Holdings LLC, a Delaware limited liability company that transferred and assigned all of its assets, liabilities, rights and obligations to Freescale Holdings L.P., a Cayman Islands limited partnership ("Parent"), and Freescale Acquisition Corporation (formerly Firestone Acquisition Corporation), an indirect wholly owned subsidiary of Parent ("Merger Sub"). Pursuant to the terms of the Merger Agreement, Merger Sub was merged with and into FSL, Inc., and as a result, FSL, Inc. continues as the surviving corporation and a wholly owned indirect subsidiary of Parent. Parent is an entity controlled by the Sponsors.

At the close of the Merger, FSL, Inc. became a subsidiary of Freescale Semiconductor Holdings V, Inc. ("Holdings V"), which is wholly owned by Freescale Semiconductor Holdings IV, Ltd. ("Holdings IV"), which is wholly owned by Freescale Semiconductor Holdings III, Ltd. ("Holdings III"), which is wholly owned by Freescale Semiconductor Holdings II, Ltd. ("Holdings II"), which is wholly owned by Freescale Semiconductor Holdings I, Ltd. ("Holdings I"), which is wholly owned by Parent. All six of these companies were formed for the purpose of facilitating the Merger and are collectively referred to as the "Parent Companies." The reporting entity subsequent to the Merger is Holdings I. Holdings I (which may be referred to as the "Company," "we," "us" or "our") means Freescale Semiconductor Holdings I, Ltd. and its subsidiaries, as the context requires.

The accompanying unaudited condensed consolidated financial statements as of June 27, 2008 and for the three and six months ended June 27, 2008 and June 29, 2007 are unaudited, with the December 31, 2007 amounts included herein derived from the audited consolidated financial statements. In the opinion of management, these unaudited condensed consolidated financial statements include all adjustments (consisting of normal recurring adjustments and reclassifications) necessary to present fairly the financial position, results of operations and cash flows as of June 27, 2008 and for all periods presented. Certain amounts reported in previous periods have been reclassified to conform to the current period presentation.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our December 31, 2007 Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC"). The results of operations for the three and six months ended June 27, 2008 are not necessarily indicative of the operating results to be expected for the full year.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Our significant accounting policies and critical estimates are disclosed in our December 31, 2007 Annual Report on Form 10-K.

(2) Other Financial Data

Statements of Operations Supplemental Information

Other Expense, Net

The following table displays the amounts comprising other expense, net in the accompanying unaudited Condensed Consolidated Statements of Operations:

	Three Months Ended		Six Months Ended	
	June 27, 2008	June 29, 2007	June 27, 2008	June 29, 2007
Interest expense	$ (169)	$ (204)	$ (353)	$ (414)
Interest income	12	14	19	27
Interest expense, net	(157)	(190)	(334)	(387)
Other, net	11	2	(2)	1
Other expense, net	$ (146)	$ (188)	$ (336)	$ (386)

During the second quarter of 2008, we recorded a $10 million pre-tax gain, net as a reduction to interest expense in connection with the repurchase of $54 million of our Senior Subordinated Notes and $8 million of our Floating Rate Notes (both terms defined below). During the first half of 2008, we recorded a $16 million pre-tax gain, net as a reduction to interest expense in connection with the repurchase of $67 million of our Senior Subordinated Notes, $10 million of our Fixed Rate Notes (defined below) and $8 million of our Floating Rate Notes. (“Senior Subordinated Notes,” “Floating Rate Notes,” and “Fixed Rate Notes” are each defined in Note 4 to the consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2007).

Cash paid for interest was $302 million and $366 million for the three and six months ended June 27, 2008, respectively, and $349 million and $428 million for the three and six months ended June 29, 2007, respectively.

In the first quarter of 2008, in accordance with SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities, as amended” (“SFAS No. 133”) we recognized a $25 million pre-tax loss in other, net related to the cumulative ineffective portion and subsequent change in fair value of our interest rate swaps that are no longer classified as a cash flow hedge. This loss was offset by a $12 million pre-tax gain in other, net as a result of the sale of all of the shares in one of our strategic investments accounted for under the cost method. In the second quarter of 2008, we recognized a $14 million pre-tax gain in other, net associated with the change in fair value of our interest rate swaps that no longer meet the requirements of a cash flow hedge.

Comprehensive Loss

The components of total comprehensive loss, net of tax, were as follows:

	Three Months Ended		Six Months Ended	
	June 27, 2008	June 29, 2007	June 27, 2008	June 29, 2007
Net loss	$ (184)	$ (288)	$ (429)	$ (827)
Net change in fair value on derivative contracts	(3)	—	9	(1)
Net change in cumulative translation adjustments	(3)	2	2	5
Total comprehensive loss	$ (190)	$ (286)	$ (418)	$ (823)

During the first quarter of 2008, in accordance SFAS No. 133, we reclassified a $25 million pre-tax loss from accumulated other comprehensive earnings to other, net in connection with the realization of the cumulative ineffective portion and subsequent change in fair value of our interest rate swaps that are no longer classified as a cash flow hedge.

Effective January 1, 2008, we changed the functional currency for certain foreign operations to the U.S. dollar. Significant changes in economic facts and circumstances supported this change in functional currency. The change in functional currency is applied on a prospective basis. The U.S dollar-translated amounts of non-monetary assets and liabilities at December 31, 2007 became the historical accounting basis for those assets and liabilities at January 1, 2008 and for subsequent periods. As a result of this change in functional currency, exchange rate gains and losses are recognized on

transactions in currencies other than the U.S. dollar and included in operations for the period in which the exchange rates changed. The $40 million cumulative translation adjustments for these transactions recorded prior to the change will remain a separate component of stockholder's equity.

Balance Sheets Supplemental Information

Inventory

Inventory consisted of the following:

	June 27, 2008	December 31, 2007
Work in process and raw materials	$ 526	$ 527
Finished goods	198	252
	$ 724	$ 779

We recognized $7 million and $416 million in cost of sales related to purchase accounting adjustments to inventory in the six months ended June 27, 2008 and June 29, 2007, respectively. (See discussion on "Goodwill and Intangibles" included in this Note.)

Property, Plant and Equipment, Net

Depreciation expense was approximately $177 million and $351 million for the three and six months ended June 27, 2008, and $184 million and $366 million for the three and six months ended June 29, 2007, respectively. Accumulated depreciation was approximately $1,022 million and $688 million at June 27, 2008 and December 31, 2007, respectively.

During the first half of 2008, FSL, Inc. sold assets located at the 300-millimeter wafer fabrication facility located in Crolles, France, where we ended a strategic development and manufacturing relationship with two other semiconductor manufacturers in the fourth quarter of 2007. These assets were classified as held for sale as of December 31, 2007.

Goodwill and Intangible Assets

We acquired SigmaTel, Inc. ("SigmaTel") on April 30, 2008 for cash consideration of $115 million, including $5 million of direct acquisition costs. SigmaTel is a fabless semiconductor company which designs, develops and markets mixed-signal ICs for the consumer electronics market. In accordance with the provisions of SFAS No. 141, "Business Combinations" ("SFAS No. 141"), the total purchase price was allocated to our net tangible and identifiable intangible assets based on their estimated fair values as of April 30, 2008. Included in the tangible assets is $21 million in cash and cash equivalents and $32 million in auction rate securities. The auction rate securities are included in other assets, net. Approximately $3 million of the purchase price was allocated to in-process research and development. This amount was recognized as research and development expense upon the closing of the acquisition. During the second quarter of 2008, we also recorded a $7 million charge to cost of sales related to purchase accounting adjustments to inventory. Included in the allocation of the purchase price was $6 million of intangible assets primarily consisting of existing developed technology intangibles. There was no goodwill associated with the acquisition of SigmaTel. As of June 27, 2008, $16 million of assets associated with SigmaTel's printing business were classified as held-for-sale. In July 2008 we entered into an agreement to sell SigmaTel's printing business.

Accrued Liabilities and Other

Accrued liabilities and other consisted of the following:

	June 27, 2008	December 31, 2007
Compensation	$ 161	$ 219
Taxes other than income taxes	57	63
Deferred revenue	288	30
Income tax payable	4	21
Interest payable	31	44
Environmental liability	7	7
Accrued technology cost	16	24
Stock-based compensation	33	34
Other	124	132
	$ 721	$ 574

In the first half of 2008, we entered into an amended and extended arrangement with Motorola, whereby we received cash proceeds, provided certain pricing modifications and relieved Motorola of certain obligations. We deferred revenue related to the cash proceeds received, which is being recognized over the term of the arrangement beginning in the first quarter of 2008.

(3) Risk Management

Foreign Currency Risk

Effective January 1, 2008, we changed the functional currency for certain foreign operations to the U.S. dollar. Significant changes in economic facts and circumstances supported this change in functional currency. The change in functional currency is applied on a prospective basis. The U.S dollar-translated amounts of non-monetary assets and liabilities at December 31, 2007 became the historical accounting basis for those assets and liabilities at January 1, 2008 and for subsequent periods. As a result of this change in functional currency, exchange rate gains and losses are recognized on transactions in currencies other than the U.S. dollar and included in income for the period in which the exchange rates changed.

At June 27, 2008 and December 31, 2007, we had net outstanding foreign exchange contracts not designated as accounting hedges with notional amounts totaling approximately $280 million and $561 million, respectively, which are accounted for at fair value. The notional amount of our foreign currency hedges decreased as a result of the change in functional currency for certain foreign operations to the U.S. dollar. The fair value of the forward contracts was a net unrealized (loss) gain of $(2) million and $10 million at June 27, 2008 and December 31, 2007, respectively. Management believes that these financial instruments will not subject us to undue risk due to foreign exchange movements because gains and losses on these contracts should offset losses and gains on the assets, liabilities, and transactions being hedged. The following table shows, in millions of U.S. dollars, the notional amounts of the most significant net foreign exchange hedge positions:

Buy (Sell)	June 27, 2008	December 31, 2007
Euro	$ 120	$ (18)
Malaysian Ringgit	$ 62	$ 53
Japanese Yen	$ (28)	$ 17
British Pound	$ 23	$ 19
Singapore Dollar	$ 14	$ —
Israeli Shekel	$ 3	$ 12
Danish Kroner	$ —	$ (415)

Interest Rate Risk

We use interest rate swap agreements to assist in managing the floating rate portion of our debt portfolio. In 2006 and 2007, we entered into interest rate swap agreements with a notional amount of $900 million to hedge a portion of our $3,940 million floating rate debt. These interest rate swaps expire on December 1, 2009. An interest rate swap is a contractual agreement to exchange payments based on underlying interest rates. We are required to pay the counterparty a stream of fixed interest payments at an average rate of 4.78%, and in turn, receive variable interest payments based on 3-month LIBOR (2.68% at June 27, 2008) from the counterparties. The net receipts or payments from the interest rate swap agreements are recorded in interest expense. We elected to switch from 3-month LIBOR to 1-month LIBOR on our Term Loan (as defined in

Note 4 to the consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2007). This was done in order to realize interest payment savings due to decreasing interest rates. As a result of making this election on the Term Loan, these interest rate swaps no longer qualify as a cash flow hedge in accordance with SFAS No. 133. Therefore, in the first quarter of 2008, we recognized a $25 million pre-tax loss in other expense, net in the accompanying unaudited Condensed Consolidated Statements of Operations. In accordance with SFAS No. 133, the loss realized upon an instrument's de-designation as a cash flow hedge represents the cumulative ineffective portion of the interest rate swaps and change in fair value from the date of de-designation.

The remaining effective portion of the interest rate swaps at June 27, 2008 is approximately $6 million, net of tax, and is in accumulated other comprehensive loss. This unrealized loss is exclusive of the aforementioned $25 million pre-tax loss on the ineffective portion of the interest rate swaps recorded in the first quarter of 2008. This amount will be recognized as other expense through December 2009. If certain terms of the Term Loan change, if the Term Loan is extinguished or if the interest rate swap agreements are terminated prior to maturity, this amount may be recognized sooner in other, net in the Consolidated Statement of Operations.

During the first quarter of 2008, we entered into an additional interest rate swap with a notional amount of $100 million. This swap is effective from December 1, 2009 through December 1, 2012. As it does not meet the requirements of a cash flow hedge under SFAS No. 133, all related gains and losses will be recognized in other, net in the Consolidated Statement of Operations.

The fair value of all of our interest rate swaps is an obligation of approximately $19 million at June 27, 2008 and is included in other liabilities in the accompanying unaudited Condensed Consolidated Balance Sheet. The fair values of our interest rate swaps were estimated based on the yield curve at June 27, 2008 and represent their carrying values.

(4) Stock and Equity-Based Compensation Plans

Class B Interests

During the first quarter of 2008, approximately 81 thousand Class B Interests became vested upon entering into a separation agreement with our former Chief Executive Officer, and concurrently, approximately 53 thousand Class B Interests were forfeited. In accordance with this vesting, we recorded accelerated amortization of approximately $17 million as a reorganization charge in our unaudited Condensed Consolidated Statement of Operations for the first half of 2008.

During the first quarter of 2008, our Parent granted our new CEO a 1.2472% Class B-2008 Series Interest, as defined in the Amended and Restated Agreement of Exempted Limited Partnership of the Parent, dated as of February 11, 2008 ("Amended LP Agreement"), which will provide the holder an interest in the Parent and entitle the holder to 1.2472% of all distributions in excess of the Partnership 2008 Book Value (as defined in the Amended LP Agreement). The Class B-2008 Series LP Interest was granted to our new Chief Executive Officer on April 7, 2008. However, in accordance with the provisions of SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123(R)") the grant date for financial reporting is March 17, 2008, as he had a mutual understanding of the terms and conditions of the award and met the definition of an employee on that date. The Class B-2008 Series Interests vest 25% on each of the first, second, third and fourth anniversaries of the date of the grant. The Class B-2008 Series Interests are subject to the terms, conditions and restrictions of the Amended LP Agreement and the Investors Agreement dated December 1, 2006, as amended.

At June 27, 2008, we had approximately $88 million in unamortized expense related to Class B and Class B-2008 Series Interests, net of expected forfeitures, which are being amortized on a straight-line basis over a period of four years.

The fair value of the Class B-2008 Series Interests was estimated on the date of grant using the Black-Scholes option pricing method. The assumptions used in the model are outlined in the following table:

	Three and Six Months Ended June 27, 2008
Weighted average grant date fair value	$ 39
Weighted average assumptions used:	
Expected volatility	57.0%
Expected lives (in years)	5.00
Risk free interest rate	2.6%
Expected dividend yield	— %

Restricted Stock Units

As of June 27, 2008, we had approximately $29 million in unamortized expense related to restricted stock units ("RSUs"), net of expected forfeitures, which are being amortized on a straight-line basis over a period of three to four years.

A summary of changes in RSUs outstanding during the six months ended June 27, 2008 is presented below:

	RSUs (in thousands)
Non-vested RSU balance at January 1, 2008	1,245
Granted	4,867
Vested	(283)
Terminated, cancelled or expired	(118)
Non-vested RSU balance at June 27, 2008	5,711

On April 7, 2008, we granted 4.9 million RSUs to certain executives of the Company. Included in this grant were 2.1 million RSUs granted to our new Chief Executive Officer. However, in accordance with the provisions of SFAS No. 123(R), for financial reporting purposes, the date of our Chief Executive Officer's grant is March 17, 2008, as he had a mutual understanding of the terms and conditions of the award and met the definition of an employee on that date.

Under the terms of the RSU award agreements, shares of common stock are not issued to the participant upon vesting of the RSU. Shares are issued upon the earlier of : (i) the participant's termination of employment; (ii) the participant's death; (iii) the participant's disability; (iv) a change of control; or (v) the seventh anniversary of the date of grant. Vested RSUs are considered outstanding until shares have been issued.

Our total stock and equity-based compensation expense is presented below:

	Three Months Ended		Six Months Ended	
	June 27, 2008	June 29, 2007	June 27, 2008	June 29, 2007
Cost of sales	$ 1	$ 1	$ 1	$ 2
Selling, general and administrative	13	10	23	20
Research and development	1	2	1	3
Reorganization of businesses and other	—	—	17	—
Total	$ 15	$ 13	$ 42	$ 25

(5) Income Taxes

Income taxes for the interim periods presented have been included in the accompanying unaudited condensed consolidated financial statements on the basis of an estimated annual effective tax rate. As of June 27, 2008, the estimated annual effective tax rate for 2008 is a benefit of 35%, excluding tax expense of $23 million recorded for discrete events that occurred during the first half of 2008. These discrete events resulted from foreign tax rate changes, an increase in the valuation allowance associated with certain our foreign deferred tax assets, and interest expense associated with tax reserves.

(6) Commitments and Contingencies

Commitments

We have product purchase commitments associated with strategic manufacturing relationships that include take or pay provisions based on volume commitments for work in progress and forecasted demand based on 18-month rolling forecasts, which are adjusted monthly. The commitment under these relationships is $116 million as of June 27, 2008, compared to $76 million as of December 31, 2007.

Contingencies

Environmental

Under the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended (CERCLA, or Superfund), and equivalent state law, Motorola has been designated as a Potentially Responsible Party by the United States Environmental Protection Agency with respect to certain waste sites with which our operations may have had direct or indirect involvement. Such designations are made regardless of the extent of Motorola's involvement. Pursuant to the master separation and distribution agreement entered into in connection with our spin-off from Motorola, FSL, Inc. has indemnified Motorola for these liabilities going forward. These claims are in various stages of administrative or judicial proceedings. They include demands for recovery of past governmental costs and for future investigations or remedial actions. The remedial efforts include environmental cleanup costs and communication programs. In many cases, the dollar amounts of the claims have not been specified and have been asserted against a number of other entities for the same cost recovery or other relief as was asserted against FSL, Inc. We accrue costs associated with environmental matters when they become probable and reasonably estimable by recording the future estimated cash flows associated with such costs on a discounted basis. Due to the uncertain nature of these contingencies, the actual costs that will be incurred could differ from the amounts accrued, perhaps significantly.

Litigation

We are a defendant in various lawsuits, including intellectual property suits, and are subject to various claims which arise in the normal course of business.

From time to time, we are involved in legal proceedings arising in the ordinary course of business, including tort and contractual disputes, claims before the United States Equal Employment Opportunity Commission and other employee grievances, and intellectual property litigation and infringement claims. Intellectual property litigation and infringement claims could cause us to incur significant expenses or prevent us from selling our products. Under agreements with Motorola, FSL, Inc. must indemnify Motorola for certain liabilities related to our business incurred prior to our separation from Motorola.

A purported class action, Howell v. Motorola, Inc., et al., was filed against Motorola and various of its directors, officers and employees in the United States District Court for the Northern District of Illinois ("Illinois District Court") on July 21, 2003, alleging breach of fiduciary duty and violations of the Employment Retirement Income Security Act ("ERISA"). The complaint alleged that the defendants had improperly permitted participants in the Motorola 401(k) Plan ("Plan") to purchase or hold shares of common stock of Motorola because the price of Motorola's stock was artificially inflated by a failure to disclose vendor financing to Telsim in connection with the sale of telecommunications equipment by Motorola. The plaintiff sought to represent a class of participants in the Plan for whose individual accounts the Plan purchased or held shares of common stock of Motorola from "May 16, 2000 to the present," and sought an unspecified amount of damages. On September 30, 2005, the Illinois District Court dismissed the second amended complaint filed on October 15, 2004. Plaintiff filed an appeal to the dismissal on October 27, 2005. On March 19, 2007, the appeals court dismissed the appeal. Three new purported lead plaintiffs intervened in the case, and filed a motion for class certification seeking to represent Plan participants for whose individual accounts the Plan purchased and/or held shares of Motorola common stock from May 16, 2000 through December 31, 2002. On September 28, 2007, the Illinois District Court granted the motion for class certification but narrowed the requested scope of the class. Motorola has sought leave to appeal in the appellate court and reconsideration in the Illinois District Court of certain aspects of the class certification order. On

October 25, 2007, the Illinois District Court modified the scope of the class, granted summary judgment dismissing two of the individually-named defendants in light of the narrowed class, and ruled that the judgment as to the original named plaintiff, Howell, would be immediately appealable. The class as certified includes all Plan participants for whose individual accounts the Plan purchased and/or held shares of Motorola common stock from May 16, 2000 through May 14, 2001 with certain exclusions. On February 15, 2008, Motorola and its codefendants filed motions for summary judgment on all claims asserted by the class. Those motions are currently pending before the District Court. On February 22, 2008, the United States Court of Appeals for the Seventh Circuit agreed to hear Motorola's interlocutory appeal of the District Court's order certifying the class. As a result of the terms of its separation from Motorola, it is possible that FSL, Inc. could be held responsible to Motorola for a portion of any judgment or settlement in this matter. We are still assessing the merits of this action as well as the potential effect on our consolidated financial position, results of operations and cash flows.

On April 17, 2007, Tessera Technologies, Inc. ("Tessera") filed a complaint against FSL, Inc., ATI Technologies, Inc., Motorola, Inc., Qualcomm, Inc., Spansion, Inc., Spansion LLC, and STMicroelectronics N.V. (collectively, the "Respondents") in the International Trade Commission ("ITC") requesting the ITC enter an injunction barring the importation of any product containing a device that infringes two identified patents related to ball grid array ("BGA") packaging technology. On April 17, 2007, Tessera filed a parallel lawsuit in the United States District Court for the Eastern District of Texas against ATI, FSL, Inc., Motorola and Qualcomm claiming an unspecified amount of monetary damage as compensation for the alleged infringement of the same Tessera patents. Tessera's patent claims relate to BGA packaging technology. On February 26, 2008, the Administrative Law Judge in the ITC proceeding granted the Respondents' motion to stay the ITC proceeding pending the completion of the reexamination by the U.S. Patent and Trademark Office of the two patents asserted by Tessera in the ITC proceeding. On March 27, 2008, the ITC reversed this decision and ordered the reinstatement of the ITC proceeding, which occurred during the week of July 14, 2008. We are still assessing the merits of both of these actions as well as the potential effect on our consolidated financial position, results of operations and cash flows.

On April 18, 2008 LSI Corporation ("LSI") and Agere Systems, Inc. ("Agere") filed a complaint against FSL, Inc. and 17 other corporations in the ITC requesting the ITC to enter an injunction barring the importation of any product containing a device that infringes an Agere patent. LSI filed a parallel lawsuit in the United States District Court for the Eastern District of Texas on the same day against the same parties claiming an unspecified amount of monetary damage as compensation for the defendants' alleged infringement of the same patent. LSI asserts that its patent covers tungsten metallization technology, which is allegedly used in FSL Inc.'s chip manufacturing process. We are still assessing the merits of both of these actions as well as the potential effect on our consolidated financial position, results of operations or cash flow.

Other than as described above, we do not believe that there is any litigation pending that could have, individually or in the aggregate, a material negative impact on our consolidated financial position, results of operations, or cash flow.

Other Contingencies

In the ordinary course of business, we regularly execute contracts that contain customary indemnification provisions. Additionally, we execute other contracts considered outside the ordinary course of business which contain indemnification provisions. Examples of these types of agreements include business divestitures, business acquisitions, settlement agreements and third-party performance guarantees. In each of these circumstances, payment by us is conditioned on the other party making a claim pursuant to the procedures specified in the particular contract, which procedures typically allow us to challenge the other party's claims. Further, our obligations under these agreements may be limited in terms of duration, are typically limited to a duration of 24 months or less, and/or amounts not to exceed the contract value. In some instances we may have recourse against third parties for certain payments made by us.

Historically, we have not made significant payments for indemnification provisions contained in these agreements. As of June 27, 2008, there was one outstanding contract executed outside the ordinary course of business containing indemnification obligations with a maximum amount payable of $4 million. As of June 27, 2008, we have accrued $4 million related to known estimated indemnification obligations. As of June 27, 2008, we believe there are no obligations that would result in material payments for any unknown matters.

(7) Reorganization of Businesses and Other

We periodically implement plans to reduce our workforce, discontinue product lines, exit businesses and consolidate manufacturing and administrative operations in an effort to improve our operational effectiveness, reduce costs or as a result of simplifying our product portfolio. At each reporting date, we evaluate our accruals for exit costs and employee separation costs, which consist primarily of termination benefits (principally severance and relocation payments) to ensure that the accruals are still appropriate. In certain circumstances, accruals are no longer required because of efficiencies in carrying out the plans or because employees previously identified for separation resigned unexpectedly and did not receive severance or were redeployed due to circumstances not foreseen when the original plans were initiated. We reverse accruals to income when it is determined they are no longer required.

Crolles Manufacturing and Research Alliance

During the second quarter of 2008, we finalized a grant related to our former research and manufacturing alliance in Crolles, France. We recognized a benefit of $9 million for the grant in reorganization of businesses and other related to the portion of the grant for assets sold during the first half of 2008. We also recorded a benefit of $5 million to research and development expense in connection with the receipt of this grant.

Executive Leadership Transition

During the first quarter of 2008, $26 million was recorded in reorganization of businesses and other related to the change in executive leadership. Of this amount, $17 million was a non-cash charge for equity compensation expense as a result of the accelerated vesting of certain Class B Interests in connection with the execution of a separation agreement with Michel Mayer, our former Chairman of the Board and Chief Executive Officer. We also recognized $8 million in severance costs related to Mr. Mayer's separation and $1 million in compensation related to the retention of Richard Beyer, our current Chairman of the Board and Chief Executive Officer.

Second Quarter 2008 Reorganization of Business Program

During the second quarter of 2008, we initiated plans to consolidate manufacturing and administrative operations in order to streamline our global organization and reduce costs. We accrued $21 million in severance costs associated with these actions. The following table displays a roll-forward from January 1, 2008 to June 27, 2008 of the employee separation accruals established related to the second quarter 2008 reorganization:

(in millions, except headcount)	Accruals at January 1, 2008	Charges	Adjustments	2008 Amounts Used	Accruals at June 27, 2008
Employee Separation Costs					
Manufacturing	$ —	$ 11	$ —	$ 2	$ 9
Selling, general and administrative	—	3	—	—	3
Research and developm0ent	—	7	—	—	7
Total	$ —	$ 21	$ —	$ 2	$ 19
Related headcount	—	480	—	100	380
Exit and Other Costs	$ —	$ 7	$ —	$ 4	$ 3

During the three months ended June 27, 2008, we separated 100 employees. The $2 million used reflects initial cash payments made to these separated employees through June 27, 2008. We will make additional payments to these separated employees and the remaining 380 employees through the first quarter of 2009. In addition to these employee separation costs, we also recorded $7 million in exit and other costs related primarily to these actions and an $8 million non-cash impairment charge related to our manufacturing facility located in Tempe, Arizona, which was classified as held-for-sale as of June 27, 2008.

Second Quarter 2007 Reorganization of Business Program

During the second quarter of 2007, we announced plans to improve our operational effectiveness and reduce costs through an employee separation program. The following table displays a roll-forward from January 1, 2008 to June 27, 2008 of the accruals established related to the second quarter 2007 reorganization:

(in millions, except headcount)	Accruals at January 1, 2008	Charges	Adjustments	2008 Amounts Used	Accruals at June 27, 2008
Manufacturing	$ 8	$ —	$ —	$ 8	$ —
Selling, general and administrative	5	—	1	2	2
Research and development	1	—	1	—	—
Total	$ 14	$ —	$ 2	$ 10	$ 2
Related headcount	100	—	30	70	—

During the six months ended June 27, 2008, we separated 70 employees. The $10 million used reflects initial cash payments made to these separated employees through June 27, 2008. We will make additional payments to these separated employees through the third quarter of 2008. We reversed $2 million of the remaining accrual due to approximately 30 employees previously identified for separation who resigned unexpectedly and did not receive severance or were redeployed due to circumstances not foreseen when the original plans were approved.

Merger Initiated Reorganization of Business Program

We accrued certain severance, relocation and exit costs in purchase accounting associated with various actions initiated in connection with the Merger. The actions included a research and development design center consolidation program, a redeployment of our sales and marketing resources and personnel decisions related to the 300-millimeter joint development agreement signed in December 2006. The following table displays a roll-forward of the accruals established for these actions from January 1, 2008 to June 27, 2008:

(in millions, except headcount)	Accruals at January 1, 2008	Adjustments	2008 Amounts Used	Accruals at June 27, 2008
Employee Separation Costs				
Selling, general and administrative	$ 2	$ 2	$ —	$ —
Research and development	9	5	2	2
Total	$ 11	$ 7	$ 2	$ 2
Related headcount	50	—	50	—
Relocation and Exit Costs	$ 4	$ —	$ 1	$ 3

During the six months ended June 27, 2008, we separated the final 50 employees. The $3 million used reflects initial cash payments made to these separated employees through June 27, 2008. We reversed $7 million of the remaining accrual to goodwill due to efficiencies achieved through the execution of our research and development design center consolidation program and the redeployment of certain resources. This program will be concluded and the final payments made to the separated employees by December 31, 2008.

(8) Supplemental Guarantor Condensed Consolidating Financial Statements

On December 1, 2006, in connection with the Merger, we issued $5.95 billion aggregate principal amount of the outstanding Senior Notes and outstanding Senior Subordinated Notes as described in Note 4 to the Consolidated Financial Statements in the Annual Report on Form 10-K for the year ended December 31, 2007. The Senior Notes are jointly and severally guaranteed on an unsecured, senior basis, and the Senior Subordinated Notes are jointly and severally guaranteed by the Parent Companies (“Guarantors”) on an unsecured, senior subordinated basis, in each case, subject to certain exceptions. Each Guarantor fully and unconditionally guarantees, jointly with the other Guarantors, and severally, as a primary obligor and not merely as a surety, the due and punctual payment and performance of the obligations. As of the issue date, none of FSL Inc.’s domestic or foreign subsidiaries (“Non-Guarantors”) guarantee the Senior Notes, Senior Subordinated Notes or Credit Facility (as defined in Note 4 to the consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2007). In the future, subsidiaries may be required to guarantee the Senior Notes and/or the Senior Subordinated Notes if and to the extent they guarantee the Credit Facility.

The following tables present our financial position, results of operations and cash flows of FSL, Inc., the Parent, Guarantors, Non-Guarantors and eliminations as of and for the three and six months ended June 27, 2008 and June 29, 2007 and as of December 31, 2007 to arrive at the information for us on a consolidated basis:

Supplemental Condensed Consolidating Statement of Operations
Three Months Ended June 27, 2008
(Unaudited)

(in millions)	Parent	Guarantor	Freescale	Non-Guarantors	Eliminations	Consolidated
Net sales	$ —	$ —	$ 1,855	$ 1,871	$ (2,254)	$ 1,472
Cost of sales	—	1	1,341	1,752	(2,254)	840
Gross margin	—	(1)	514	119	—	632
Selling, general and administrative	—	2	222	65	(114)	175
Research and development	—	6	195	92	—	293
Amortization expense for acquired intangible assets	—	—	273	—	—	273
Reorganization of business and other	—	—	20	5	—	25
Merger expenses	—	—	2	1	—	3
Operating loss	—	(9)	(198)	(44)	114	(137)
Other (expense) income, net	(184)	(178)	(76)	116	176	(146)
(Loss) earnings before income taxes	(184)	(187)	(274)	72	290	(283)
Income tax benefit	—	(3)	(96)	—	—	(99)
Net (loss) earnings	$(184)	$ (184)	$ (178)	$ 72	$ 290	$ (184)

Supplemental Condensed Consolidating Statement of Operations
Six Months Ended June 27, 2008
(Unaudited)

(in millions)	Parent	Guarantor	Freescale	Non-Guarantors	Eliminations	Consolidated
Net sales	$ —	$ —	$ 3,692	$ 3,771	$ (4,586)	$ 2,877
Cost of sales	—	1	2,721	3,517	(4,586)	1,653
Gross margin	—	(1)	971	254	—	1,224
Selling, general and administrative	—	2	444	126	(231)	341
Research and development	—	6	383	182	—	571
Amortization expense for acquired intangible assets	—	—	545	—	—	545
Reorganization of business and other	—	—	46	5	—	51
Merger expenses	—	—	4	1	—	5
Operating loss	—	(9)	(451)	(60)	231	(289)
Other (expense) income, net	(429)	(423)	(190)	231	475	(336)
(Loss) earnings before income taxes	(429)	(432)	(641)	171	706	(625)
Income tax (benefit) expense	—	(3)	(218)	25	—	(196)
Net (loss) earnings	$(429)	$ (429)	$ (423)	$ 146	$ 706	$ (429)

Supplemental Condensed Consolidating Statement of Operations
Three Months Ended June 29, 2007
(Unaudited)

(in millions)	Parent	Guarantor	Freescale	Non-Guarantors	Eliminations	Consolidated
Net sales	$ —	$ —	$ 1,574	$ 1,768	$ (1,966)	$ 1,376
Cost of sales	—	—	1,123	1,652	(1,966)	809
Gross margin	—	—	451	116	—	567
Selling, general and administrative	—	—	228	59	(122)	165
Research and development	—	—	187	99	—	286
Amortization expense for acquired intangible assets	—	—	346	—	—	346
Reorganization of business and other	—	—	15	23	—	38
Operating loss	—	—	(325)	(65)	122	(268)
Other (expense) income, net	(288)	(288)	(136)	125	399	(188)
(Loss) earnings before income taxes	(288)	(288)	(461)	60	521	(456)
Income tax (benefit) expense	—	—	(173)	5	—	(168)
Net (loss) earnings	$(288)	$ (288)	$ (288)	$ 55	$ 521	$ (288)

Supplemental Condensed Consolidating Statement of Operations
Six Months Ended June 29, 2007
(Unaudited)

(in millions)	Parent	Guarantor	Freescale	Non-Guarantors	Eliminations	Consolidated
Net sales	$ —	$ —	$ 3,511	$ 3,637	$ (4,411)	$ 2,737
Cost of sales	—	—	2,978	3,459	(4,411)	2,026
Gross margin	—	—	533	178	—	711
Selling, general and administrative	—	—	451	119	(245)	325
Research and development	—	—	380	196	—	576
Amortization expense for acquired intangible assets	—	—	691	—	—	691
Reorganization of business and other	—	—	15	23	—	38
Merger expenses	—	—	3	—	—	3
Operating loss	—	—	(1,007)	(160)	245	(922)
Other (expense) income, net	(827)	(827)	(309)	251	1,326	(386)
(Loss) earnings before income taxes	(827)	(827)	(1,316)	91	1,571	(1,308)
Income tax (benefit) expense	—	—	(489)	8	—	(481)
Net (loss) earnings	$(827)	$ (827)	$ (827)	$ 83	$ 1,571	$ (827)

Supplemental Condensed Consolidating Balance Sheet
June 27, 2008
(Unaudited)

(in millions)	Parent	Guarantor	Freescale	Non-Guarantor	Eliminations	Consolidated
Assets						
Cash and cash equivalents	$ —	$ 6	$ 167	$ 329	$ —	$ 502
Short-term investments	—	—	127	570	—	697
Inter-company receivable	5	9	641	355	(1,010)	—
Accounts receivable, net	—	—	201	505	—	706
Inventory	—	—	299	425	—	724
Other current assets	—	3	288	146	(12)	425
Total current assets	5	18	1,723	2,330	(1,022)	3,054
Property, plant and equipment, net	—	—	1,428	868	—	2,296
Investments in affiliates	2,799	2,717	2,140	—	(7,656)	—
Goodwill	20	—	5,325	—	—	5,345
Intangible assets	—	13	3,372	—	—	3,385
Inter-company note receivable	—	—	3	5	(8)	—
Other assets, net	—	69	326	190	—	585
Total Assets	$2,824	$ 2,817	$14,317	$ 3,393	$ (8,686)	$ 14,665
Liabilities and Stockholder's Equity						
Notes payable and current portion of long-term debt and capital leases	$ —	$ 4	$ 45	$ 43	$ —	$ 92
Inter-company payable	10	6	391	603	(1,010)	—
Accounts payable	—	—	297	176	—	473
Accrued liabilities and other	—	3	513	205	—	721
Total current liabilities	10	13	1,246	1,027	(1,010)	1,286
Long-term debt	—	—	9,278	—	—	9,278
Deferred tax liabilities	—	—	845	64	(12)	897
Inter-company note payable	—	5	—	3	(8)	—
Other liabilities	—	—	231	159	—	390
Total liabilities	10	18	11,600	1,253	(1,030)	11,851
Total stockholder's equity	2,814	2,799	2,717	2,140	(7,656)	2,814
Total Liabilities and Stockholder's Equity	$2,824	$ 2,817	$14,317	$ 3,393	$ (8,686)	$ 14,665

Supplemental Condensed Consolidating Balance Sheet
December 31, 2007
(Unaudited)

(in millions)	Parent	Guarantor	Freescale	Non-Guarantor	Eliminations	Consolidated
Assets						
Cash and cash equivalents	$ —	$ —	$ 6	$ 200	$ —	$ 206
Short-term investments	—	—	356	189	—	545
Inter-company receivable	—	—	559	438	(997)	—
Accounts receivable, net	—	—	153	389	—	542
Inventory	—	—	395	384	—	779
Other current assets	—	—	266	446	—	712
Total current assets	—	—	1,735	2,046	(997)	2,784
Property, plant and equipment, net	—	—	1,559	958	—	2,517
Investments in affiliates	3,176	3,181	2,003	—	(8,360)	—
Goodwill	20	—	5,330	—	—	5,350
Intangible assets	—	—	3,918	—	—	3,918
Inter-company note receivable	—	—	3	2	(5)	—
Other assets, net	—	—	352	196	—	548
Total Assets	$3,196	$ 3,181	$14,900	$ 3,202	$ (9,362)	$ 15,117
Liabilities and Stockholder's Equity						
Notes payable and current portion of long-term debt and capital leases	$ —	$ —	$ 47	$ 46	$ —	$ 93
Inter-company payable	6	—	444	547	(997)	—
Accounts payable	—	—	239	146	—	385
Accrued liabilities and other	—		326	248	—	574
Total current liabilities	6	—	1,056	987	(997)	1,052
Long-term debt	—	—	9,380	—	—	9,380
Deferred tax liabilities	—	—	1,054	60	—	1,114
Inter-company note payable	—	5	—	—	(5)	—
Other liabilities	—	—	229	152	—	381
Total liabilities	6	5	11,719	1,199	(1,002)	11,927
Total stockholder's equity	3,190	3,176	3,181	2,003	(8,360)	3,190
Total Liabilities and Stockholder's Equity	$3,196	$ 3,181	$14,900	$ 3,202	$ (9,362)	$ 15,117

Supplemental Condensed Consolidating Statement of Cash Flows
Six Months Ended June 27, 2008
(Unaudited)

(in millions)	Parent	Guarantor	Freescale	Non-Guarantors	Eliminations	Consolidated
Net cash flow provided by operating activities	$ (5)	$ 6	$ 223	$ 323	$ (8)	$ 539
Cash flows from investing activities:						
Capital expenditures	—	—	(104)	(63)	8	(159)
Proceeds from sales of property, plant, and equipment and assets held for sale	—	—	1	280	—	281
Sales and purchases of short-term investments, net	—	—	230	(383)	—	(153)
Payments for acquisitions of businesses, net of cash acquired	—	—	(94)	—	—	(94)
Proceeds from sales of businesses and investments	—	—	12	—	—	12
Payments for purchase licenses and other assets	—	—	(15)	(25)	—	(40)
Other	(5)	—	—	(10)	10	(5)
Cash flow (used for) provided by investing activities	(5)	—	30	(201)	18	(158)
Cash flows from financing activities:						
Payments for long-term debt, capital lease obligations and notes payable	10	—	(92)	(3)	(10)	(95)
Cash flow used for financing activities	10	—	(92)	(3)	(10)	(95)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	10	—	10
Net increase in cash and cash equivalents	—	6	161	129	—	296
Cash and cash equivalents, beginning of period	—	—	6	200	—	206
Cash and cash equivalents, end of period	$ —	$ 6	$ 167	$ 329	$ —	$ 502

Supplemental Condensed Consolidating Statement of Cash Flows
Six Months Ended June 29, 2007
(Unaudited)

(in millions)	Parent	Guarantor	Freescale	Non-Guarantors	Eliminations	Consolidated
Net cash flow (used for) provided by operating activities	$ —	$ —	$ (51)	$ 175	$ 94	$ 30
Cash flows from investing activities:						
Capital expenditures	—	—	(99)	(71)	6	(164)
Proceeds from sales of property, plant, and equipment and assets held for sale	—	—	3	17	(3)	17
Sales and purchases of short-term investments, net	—	—	180	40	—	220
Payments for purchase licenses and other assets	—	—	(18)	(13)	—	(31)
Inter-company note receivable	—	—	74	—	(74)	—
Cash flow provided by (used for) investing activities	—	—	140	(27)	(71)	42
Cash flows from financing activities:						
Dividends to Freescale	—	—	—	(91)	91	—
Payments for long-term debt, capital lease obligations and notes payable	—	—	(19)	(1)	—	(20)
Other	—	—	(8)	6	—	(2)
Inter-company loan payable	—	—	—	(74)	74	—
Cash flow used for financing activities	—	—	(19)	(1)	165	(22)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	1	—	1
Net increase in cash and cash equivalents	—	—	62	(11)	—	51
Cash and cash equivalents, beginning of period	—	—	20	157	—	177
Cash and cash equivalents, end of period	$ —	$ —	$ 82	$ 146	$ —	$ 228

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our results of operations and financial condition for the three and six months ended June 27, 2008 and June 29, 2007 should be read in conjunction with our consolidated financial statements and the notes in "Item 8: Financial Statements and Supplementary Data" of our December 31, 2007 Annual Report on Form 10-K. This discussion contains forward looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in the "Risk Factors" in Part I, Item 1A of our December 31, 2007 Annual Report on Form 10-K. Actual results may differ materially from those contained in any forward looking statements.

Overview

Our Business. With over 50 years of operating history, we are a leader in the design and manufacture of embedded processors. We currently focus on providing products to the automotive, consumer, industrial, networking and wireless industries. In addition to our embedded processors, we offer our customers a broad portfolio of complementary devices that provide connectivity between products, across networks and to real-world signals, such as sound, vibration and pressure. Our complementary products include sensors, radio frequency semiconductors, power management and other analog and mixed-signal integrated circuits. Through our embedded processors and complementary products, we are also able to offer our customers platform-level products, which incorporate both semiconductors and software. We believe that our ability to offer platform-level products will be increasingly important to our long-term success in many markets within the semiconductor industry as our customers continue to move toward providers of embedded processors and complementary products.

Revenues and Expenses. Our revenues are derived from the sale of our embedded processing and connectivity products and the licensing of our intellectual property.

We currently manufacture a substantial portion of our products internally at our seven wafer fabrication facilities and two assembly and test facilities. We track our inventory and cost of sales by using standard costs that are reviewed at least once a year and are valued at the lower of cost or market value.

Our gross margin is greatly influenced by our utilization. Utilization refers only to our wafer fabrication facilities and is based on the capacity of the installed equipment. As utilization rates decrease, there is less operating leverage as fixed manufacturing costs are spread over lower output. We have experienced a decline of approximately 2% in our utilization rate since the three months ended June 29, 2007.

Trends in Our Business. Going forward, our business will be highly dependent on demand for electronic content in automobiles, networking and wireless infrastructure equipment, cellular handsets and other electronic devices. In addition, we operate in an industry that is highly cyclical and subject to constant and rapid technological change, product obsolescence, price erosion, evolving standards, short product life-cycles and wide fluctuations in product supply and demand. For more information on trends and other factors affecting our business, see the "Risk Factors" section in Part I, Item 1A of our December 31, 2007 Annual Report on Form 10-K.

During the past several quarters, our cellular product shipments have been negatively impacted by weaker demand from Motorola, our largest customer. Cellular product revenue has historically represented in excess of 20% of our net sales. We have also been impacted by the U.S. automotive market conditions where light vehicle production has declined in the first half of 2008. We may continue to experience uncertainty and weaker demand with respect to product shipments to Motorola and the automotive industry.

Results of Operations for the Three Months Ended June 27, 2008 and June 29, 2007

(dollars in millions)	Three Months Ended (Unaudited) June 27, 2008	% of Net Sales	June 29, 2007	% of Net Sales
Orders	$1,424	96.7%	$1,319	95.9%
Net sales	$1,472	100.0%	$1,376	100.0%
Cost of sales	840	57.1%	809	58.8%
Gross margin	632	42.9%	567	41.2%
Selling, general and administrative	175	11.9%	165	12.0%
Research and development	293	19.9%	286	20.8%
Amortization expense for acquired intangible assets	273	18.5%	346	25.1%
Reorganization of businesses and other	25	1.7%	38	2.8%
Merger expenses	3	0.2%	—	0.0%
Operating loss	(137)	-9.3%	(268)	-19.5%
Other expense, net	(146)	-9.9%	(188)	-13.7%
Loss before income taxes	(283)	-19.2%	(456)	-33.2%
Income tax benefit	(99)	-6.7%	(168)	-12.2%
Net loss	$ (184)	-12.5%	$ (288)	-21.0%

Three Months Ended June 27, 2008 Compared to Three Months Ended June 29, 2007

Net Sales

We operate in one industry segment and engage primarily in the design, development, manufacture and marketing of a broad range of semiconductor products that are based on our core capabilities in embedded processing. In addition, we offer customers differentiated products that complement our embedded processors and provide connectivity, such as sensors, radio frequency semiconductors, and power management and other analog and mixed-signal semiconductors. Our capabilities enable us to offer customers a broad range of product offerings, from individual devices to platform-level products that combine semiconductors with software for a given application.

We sell our products to distributors and original equipment manufacturers (“OEMs”) in a broad range of market segments. The majority of our sales are derived from four major product design groups: Microcontroller Solutions, Cellular Products, Networking and Multimedia and Radio Frequency, Analog and Sensors. Other sales are attributable to revenue from intellectual property, sales to other semiconductor companies and miscellaneous businesses.

Our net sales and orders of approximately $1,472 million and $1,424 million in the second quarter of 2008 increased 7% and 8%, respectively, compared to second quarter of 2007. Higher net sales were driven by a 41% increase in Cellular Product net sales and 19% in Networking and Multimedia net sales, partially offset by lower sales related to decreasing production in the U.S. automotive industry. Intellectual property revenue declined 3% as a percentage of net sales versus the prior year quarter. Distribution sales approximate 18% of our total net sales and were up 9% compared to the second quarter of 2007, and distribution inventory was 11.9 weeks of net sales at June 27, 2008, compared to 11.8 weeks of net sales at December 31, 2007.

Net sales by product design group for the three months ended June 27, 2008 and June 29, 2007 were as follows:

(in millions)	Three Months Ended June 27, 2008	Three Months Ended June 29, 2007
Microcontroller Solutions	$ 460	$ 472
Cellular Products	337	239
Networking and Multimedia	312	263
RF, Analog and Sensors	280	273
Other	83	129
Total net sales	$ 1,472	$ 1,376

Microcontroller Solutions

Our Microcontroller Solutions product line represents the largest component of our total net sales. Microcontrollers and associated application development systems represented approximately 31% and 34% of our total net sales in the second quarter of 2008 and 2007, respectively. Demand for our microcontroller products is driven by the automotive, consumer, industrial and computer peripherals markets. The automotive end market accounted for 67% and 70% of Microcontroller Solutions' net sales in the second quarter of 2008 and 2007, respectively. Microcontroller Solutions net sales declined by $12 million, or 3%, in the second quarter of 2008 compared to the prior year quarter, due primarily to production cuts in the U.S. automotive market which were partially offset by favorable growth in distribution in Europe and Asia.

Cellular Products

Our cellular product line, which includes baseband processors and power management integrated circuits, represented 23% and 17% of our total net sales in the second quarter of 2008 and 2007, respectively. Our primary target segment is the cellular communications device (cellular handset) market, with over 90% of Cellular Products sales attributable to Motorola in 2008 and 2007. Cellular Products net sales increased by $98 million, or 41%, in the second quarter of 2008 compared to the prior year quarter.

In the first quarter of 2008, we entered into an amended and extended arrangement with Motorola, whereby we received cash proceeds, provided certain pricing modifications and relieved Motorola of certain obligations. We deferred revenue related to the cash proceeds received, which is being recognized over the updated term of the arrangement beginning in the first quarter of 2008. The deferred revenue recognized was supplemented by an increase in the volume of cellular products, including RF transceivers, sold during the second quarter of 2008 versus the prior year period.

Networking and Multimedia

Our networking and multimedia product line, which includes communications and digital signal processors, networked multimedia devices and application processors, represented 21% and 19% of our total net sales in the second quarter of 2008 and 2007, respectively. Our primary end markets for our networking and multimedia products are the wireless and wireline infrastructure, enterprise, SOHO and home networking, and mobile consumer markets. Networking and Multimedia net sales increased by $49 million, or 19%, in the second quarter of 2008 compared to the prior year quarter, where we experienced increased demand for communication processors in both the infrastructure and set top box markets. Sales in multimedia benefited from the inclusion of a partial quarter of revenue from SigmaTel, Inc. of approximately $10 million. (See Note 2 to the unaudited Condensed Consolidated Financial Statements for a discussion of the acquisition of SigmaTel, Inc. ("SigmaTel") on April 30, 2008.).

Radio Frequency, Analog and Sensors

Our Radio Frequency, Analog and Sensors product line, which includes radio frequency devices, analog devices and sensors, represented 19% and 20% of our total net sales in the second quarter of 2008 and 2007, respectively. Demand for our Radio Frequency, Analog and Sensors products is driven by the automotive, consumer, industrial and wireless infrastructure markets. The automotive end market accounted for 56% and 59% of Radio Frequency, Analog and Sensors' sales in the second quarter of 2008 and 2007, respectively. Radio Frequency, Analog and Sensors net sales in the second quarter of 2008 increased by $7 million, or 3%, in the second quarter of 2008 compared to the prior year quarter as a result of stronger sales in both the analog consumer and the wireless infrastructure markets, partially offset by production cuts in the U.S. automotive market.

Other

We consider the following to be classified as other sales ("Other"): sales to other semiconductor companies, intellectual property revenues, product revenues associated with end markets outside of our product design group target markets, and revenues from sources other than semiconductors. Other represented 6% and 9% of our total net sales in the second quarter of 2008 and 2007, respectively. Demand for our Other products is driven primarily by capacity requirements of other semiconductor companies and the ability to license our intellectual property. Both of these revenue streams are susceptible to timing and volume fluctuations. Other net sales decreased $46 million, or 36%, in the second quarter of 2008 attributable primarily to a decrease in intellectual property revenue compared to the second quarter of 2007. We also experienced a decrease in product sales to other semiconductor companies.

Gross Margin

In the second quarter of 2008, our gross margin increased $65 million compared to the prior year quarter. As a percentage of net sales, gross margin was 42.9%, reflecting an improvement of 1.7 percentage points over the prior year quarter. Our gross margin benefited from lower costs associated with our foundry and assembly and test operations, our exit from the Crolles alliance in the fourth quarter of 2007 and increased Cellular Product net sales resulting from the amended and extended agreement with Motorola. Partially offsetting these items were a decrease in factory utilization and a $7 million increase in cost of sales resulting from the step-up to fair value of our inventory in connection with the SigmaTel acquisition.

Selling, General and Administrative

Our selling, general and administrative expenses increased $10 million, or 6%, in the second quarter of 2008, compared to the second quarter of 2007. This was primarily the result of an increase in strategic sales support costs and legal expenses. These items were partially offset by focused cost-cutting initiatives, including a reorganization initiated in the second quarter of 2007. As a percent of our net sales, our selling, general and administrative expenses remained consistent with the prior year quarter.

Research and Development

Our research and development expense in the first quarter of 2008 increased $7 million, or 2%, compared to the second quarter of 2007. This increase was driven by new mobile consumer investments and a $3 million charge for in-process research and development, both in connection with the SigmaTel acquisition. These charges were partially offset by a decrease in spending associated with our withdrawal from the research and manufacturing alliance in Crolles, France in the fourth quarter of 2007 and a $5 million benefit recognized in connection with finalizing a grant related to this alliance.

We also initiated a reorganization late in the second quarter of 2007; the related cost savings were partially offset by increased spending in specific product areas. As a percent of our net sales, our research and development expenses were slightly lower than the prior year quarter.

Amortization Expense for Acquired Intangible Assets

Amortization expense for acquired intangible assets related to developed technology, tradenames, trademarks and customer relationships decreased by $73 million compared to the prior year quarter. The decrease was the result of the $449 million non-cash impairment charge recorded against these assets in the fourth quarter of 2007.

Reorganization of Businesses and Other

During the second quarter of 2008, we announced plans to consolidate manufacturing and administrative operations in order to streamline our global organization and reduce costs. As a result, through an employee separation program we recorded charges of $21 million under reorganization of businesses and other for severance costs. In addition to these employee separation costs, we recorded $7 million in exit and other costs related primarily to these actions and an $8 million non-cash impairment charge related to our manufacturing facility located in Tempe, Arizona. We expect this initiative to generate approximately $35 million in annualized net cost savings by the end of the first quarter of 2009. We also recorded a $2 million reversal of previous accruals due to lower than expected employee separation costs related to a prior year reorganization program.

During the second quarter of 2008, we finalized a grant related to our former research and manufacturing alliance in Crolles, France. We recognized a benefit of $9 million for the grant in reorganization of businesses and other related to the portion of the grant for assets sold during the first half of 2008.

Merger Expenses

Merger expenses were $3 million in the second quarter of 2008 and consist primarily of retention costs associated with the SigmaTel acquisition and accounting, legal and other professional fees.

Other Expense, Net

Other expense, net decreased $42 million in the second quarter of 2008, compared to the second quarter of 2007. Net interest expense in the second quarter of 2008 included interest expense of $169 million, partially offset by interest income of $12 million. Net interest expense in the second quarter of 2007 included interest expense of $204 million, partially offset by interest income of $14 million. The $35 million decrease in interest expense over the prior year quarter was due to (i) a $120 million reduction in outstanding debt, (ii) lower interest rates on outstanding debt and (iii) a $10 million pre-tax gain, net related to the repurchase of $54 million of our outstanding Senior Subordinated Notes and $8 million of our outstanding

Floating Rate Notes in the second quarter of 2008. (See “Liquidity and Capital Resources” for further discussion.) The $2 million decrease in interest income over the prior year is due to lower investment interest rates, partially offset by an approximate $600 million increase in funds available for investment as a result of the amended and extended agreement with Motorola and asset dispositions related to our exit from the Crolles alliance in the first half of 2008.

In addition to the decrease in interest expense, net, in accordance with SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities, as amended” (“SFAS No. 133”), we recognized a $14 million pre-tax gain in other expense related to the change in fair value of our interest rate swaps that no longer meet the requirements of a cash flow hedge.

Income Tax Benefit

Our estimated annual effective tax rate is a benefit of 35% as of the end of the second quarter of 2008, excluding income tax expense of $23 million recorded for discrete events. These discrete events resulted from foreign tax rate changes, an increase in the valuation allowance associated with certain of our foreign deferred tax assets, and interest expense associated with tax reserves.

Results of Operations for the Six Months Ended June 27, 2008 and June 29, 2007

	Six Months Ended (Unaudited)			
(dollars in millions)	June 27, 2008	% of Net Sales	June 29, 2007	% of Net Sales
Orders	$2,834	98.5%	$ 2,557	93.4%
Net sales	$2,877	100.0%	$ 2,737	100.0%
Cost of sales	1,653	57.5%	2,026	74.0%
Gross margin	1,224	42.5%	711	26.0%
Selling, general and administrative	341	11.9%	325	11.9%
Research and development	571	19.8%	576	21.0%
Amortization expense for acquired intangible assets	545	18.9%	691	25.3%
Reorganization of businesses and other	51	1.8%	38	1.4%
Merger expenses	5	0.2%	3	0.1%
Operating loss	(289)	-10.0%	(922)	-33.7%
Other expense, net	(336)	-11.7%	(386)	-14.1%
Loss before income taxes	(625)	-21.7%	(1,308)	-47.8%
Income tax benefit	(196)	-6.8%	(481)	-17.6%
Net loss	$ (429)	-14.9%	$ (827)	-30.2%

Six Months Ended June 27, 2008 Compared to Six Months Ended June 29, 2007

Net Sales

Our net sales and orders of approximately $2,877 million and $2,834 million in the first half of 2008 increased 5% and 11%, respectively, compared to first half of 2007. Higher net sales were driven primarily by a 29% increase in Cellular Product net sales, and 8% in Networking and Multimedia net sales partially offset by lower sales related to decreasing production in the U.S. automotive industry. Intellectual property revenue declined as a percentage of net sales by 1% versus the prior year period. Distribution sales increased 3% compared to the first half of 2007.

Net sales by product design group for the six months ended June 27, 2008 and June 29, 2007 were as follows:

(in millions)	Six Months Ended June 27, 2008	Six Months Ended June 29, 2007
Microcontroller Solutions	$ 918	$ 945
Cellular Products	655	507
Networking and Multimedia	581	537
RF, Analog and Sensors	539	532
Other	184	216
Total net sales	$ 2,877	$ 2,737

Microcontroller Solutions

Our Microcontroller Solutions product line represents the largest component of our total net sales. Microcontrollers and associated application development systems represented approximately 32% and 35% of our total net sales in the first half of 2008 and 2007, respectively. The automotive end market accounted for 68% and 70% of Microcontroller Solutions' net sales in the first half of 2008 and 2007, respectively. Microcontroller Solutions net sales declined by $27 million, or 3%, in the first half of 2008 compared to the prior year period due primarily to production cuts in the U.S. automotive market.

Cellular Products

Our cellular product line, which includes baseband processors and power management integrated circuits, represented 23% and 19% of our total net sales in the first half of 2008 and 2007, respectively. Our primary target segment is the cellular communications device (cellular handset) market, with over 90% of Cellular Products sales attributable to Motorola in 2008 and 2007. Cellular Products net sales increased by $148 million, or 29%, in the first half of 2008 compared to the prior year period.

In the first quarter of 2008, we entered into an amended and extended arrangement with Motorola, whereby we received cash proceeds, provided certain pricing modifications and relieved Motorola of certain obligations. We deferred revenue related to the cash proceeds received, which is being recognized over the updated term of the arrangement beginning last quarter. The deferred revenue recognized was supplemented by an increase in the volume of cellular products sold during the first half of 2008 versus the prior year period.

Networking and Multimedia

Our networking and multimedia product line, which includes communications and digital signal processors, networked multimedia devices and application processors, represented 20% of our total net sales in the first half of 2008 and 2007. Networking and Multimedia net sales increased by $44 million, or 8%, in the first half of 2008 compared to the prior year period, where we experienced increased demand in both the wireless infrastructure market and mobile consumer market in connection with the SigmaTel acquisition.

Radio Frequency, Analog and Sensors

Our Radio Frequency, Analog and Sensors product line, which includes radio frequency devices, analog devices and sensors, represented 19% of our total net sales in the first half of 2008 and 2007. Demand for our Radio Frequency, Analog and Sensors products is driven by the automotive, consumer, industrial and wireless infrastructure markets. The automotive end market accounted for 57% and 59% of Radio Frequency, Analog and Sensors' sales in the first half of 2008 and 2007, respectively. Radio Frequency, Analog and Sensors net sales in the first half of 2008 increased by $7 million, or 1%, in the first half of 2008 compared to the prior year period as a result of stronger sales in both the analog consumer and the wireless infrastructure markets, partially offset by production cuts in the U.S. automotive market.

Other

Other declined by 2% of our total net sales in the first half of 2008 compared to the prior period. Other net sales decreased $32 million, or 15%, in the first half of 2008 attributable primarily to a decrease in intellectual property revenue compared to the first half of 2007.

Gross Margin

In the first half of 2008, our gross margin increased $513 million compared to the prior year period. As a percentage of net sales, gross margin was 42.5%, reflecting an improvement of 16.5 percentage points. This increase was primarily attributable to a $416 million purchase accounting charge to cost of sales in the first quarter of 2007 resulting from the step-up to fair value of our inventory at the Merger date. Our gross margin also benefited from lower costs associated with our foundry and assembly and test operations, our exit from the Crolles alliance in the fourth quarter of 2007 and increased Cellular Product net sales resulting from the amended and extended agreement with Motorola. Partially offsetting these items was a decrease in factory utilization and a $7 million increase in cost of sales resulting from the step-up to fair value of our inventory in connection with the SigmaTel acquisition.

Selling, General and Administrative

Our selling, general and administrative expenses increased $16 million, or 5%, in the first half of 2008, compared to the first half of 2007. This was primarily the result of an increase in strategic sales support costs and legal expenses. These items were partially offset by focused cost-cutting initiatives, including a reorganization initiated in the second quarter of 2007. As a percent of our net sales, our selling, general and administrative expenses remained consistent with the prior year period.

Research and Development

Our research and development expense in the first half of 2008 decreased $5 million, or 1%, compared to the first half of 2007. This decrease was due primarily to our withdrawal from the research and manufacturing alliance in Crolles, France in the fourth quarter of 2007 and a $5 million benefit recognized in connection with finalizing a grant related to this alliance. We also initiated a reorganization late in the second quarter of 2007; the related cost savings were partially offset by increased spending in specific product areas including mobile computing and a $3 million charge for in-process research and development, both in connection with the SigmaTel acquisition. As a percent of our net sales, our research and development expenses remained relatively consistent with the prior year period.

Amortization Expense for Acquired Intangible Assets

Amortization expense for acquired intangible assets related to developed technology, tradenames, trademarks and customer relationships decreased by $146 million compared to the first half of 2007. The decrease was the result of the $449 million non-cash impairment charge recorded against these assets in the fourth quarter of 2007.

Reorganization of Businesses and Other

During the first half of 2008, we announced plans to consolidate manufacturing and administrative operations in order to streamline our global organization and reduce costs. As a result, through an employee separation program we recorded charges of $21 million under reorganization of businesses and other for severance costs. In addition to these employee separation costs, we recorded $7 million in exit and other costs related primarily to these actions and an $8 million non-cash impairment charge related to our manufacturing facility located in Tempe, Arizona. We expect this initiative to generate approximately $35 million in annualized net cost savings by the end of the first quarter of 2009. We also recorded a $2 million reversal of previous accruals due to lower than expected employee separation costs related to a prior year reorganization program.

As a result of a change in executive leadership in the first half of 2008, we recorded in reorganization of businesses and other a $17 million non-cash charge for equity compensation expense as a result of the accelerated vesting of Class B Interests in connection with the execution of a separation agreement with our former Chief Executive Officer. We also recognized $8 million in severance costs related to this separation and $1 million in compensation related to the retention of our current Chief Executive Officer.

During the second quarter of 2008, we finalized a grant related to our former research and manufacturing alliance in Crolles, France. We recognized a benefit of $9 million for the grant in reorganization of businesses and other related to the portion of the grant for assets sold during the first half of 2008.

Merger Expenses

Merger expenses were $5 million in the first half of 2008 and consist primarily of retention costs associated with the SigmaTel acquisition and accounting, legal and other professional fees. Merger expenses were $3 million in the first half of 2007 and consist primarily of accounting, legal and other professional fees.

Other Expense, Net

Other expense, net decreased $50 million in the first half of 2008, compared to the first half of 2007. Net interest expense in 2008 included interest expense of $353 million, partially offset by interest income of $19 million. Net interest expense in 2007 included interest expense of $414 million, partially offset by interest income of $27 million. The $61 million decrease in interest expense over the prior year quarter was due to (i) a $120 million reduction in outstanding debt, (ii) lower interest rates on outstanding debt and (iii) a $16 million pre-tax gain, net related to the repurchase of $67 million of our outstanding Senior Subordinated Notes, $10 million of our outstanding Fixed Rate Notes and $8 million of our Floating Rate Notes in the first half of 2008. (See "Liquidity and Capital Resources" for further discussion.) The $8 million decrease in interest income over the prior year was attributable to (i) a $2 million other-than-temporary impairment of one of our investments and (ii) lower investment interest rates, partially offset by an approximate $600 million increase in funds available for investment as a result of the amended and extended agreement with Motorola and asset dispositions related to our exit from the Crolles alliance in the first half of 2008.

In addition to the decrease in interest expense, net, in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities, as amended" ("SFAS No. 133"), we recognized an $11 million pre-tax loss in other expense related to the cumulative ineffective portion and subsequent change in fair value of our interest rate swaps that are no longer classified as a cash flow hedge. This loss was partially offset by a $12 million pre-tax gain that was recorded in other income related to the sale of one of our investments in the first quarter of 2008.

Income Tax Benefit

Our estimated annual effective tax rate is a benefit of 35% as of the end of the first half of 2008, excluding tax expense of $23 million recorded for discrete events during the first half of 2008. These discrete events resulted from foreign tax rate changes, an increase in the valuation allowance associated with certain of our foreign deferred tax assets, and interest expense associated with tax reserves.

Reorganization of Businesses and Other

We periodically implement plans to reduce our workforce, discontinue product lines, exit businesses and consolidate manufacturing and administrative operations in an effort to improve our operational effectiveness, reduce costs or as a result of simplifying our product portfolio. At each reporting date, we evaluate our accruals for exit costs and employee separation costs, which consist primarily of termination benefits (principally severance and relocation payments) to ensure that the accruals are still appropriate. In certain circumstances, accruals are no longer required because of efficiencies in carrying out the plans or because employees previously identified for separation resigned unexpectedly and did not receive severance or were redeployed due to circumstances not foreseen when the original plans were initiated. We reverse accruals to income when it is determined they are no longer required.

Crolles Manufacturing and Research Alliance

During the second quarter of 2008, we finalized a grant related to our former research and manufacturing alliance in Crolles, France. We recognized a benefit of $9 million for the grant in reorganization of businesses and other related to the portion of the grant for assets sold during the first half of 2008. We also recorded a benefit of $5 million to research and development expense in connection with the receipt of this grant.

Executive Leadership Transition

During the first quarter of 2008, $26 million was recorded in reorganization of businesses and other related to the change in executive leadership. Of this amount, $17 million was a non-cash charge for equity compensation expense as a result of the accelerated vesting of certain Class B Interests in connection with the execution of a separation agreement with Michel Mayer, our former Chairman of the Board and Chief Executive Officer. We also recognized $8 million in severance costs related to Mr. Mayer's separation and $1 million in compensation related to the retention of Richard Beyer, our current Chairman of the Board and Chief Executive Officer.

Second Quarter 2008 Reorganization of Business Program

During the second quarter of 2008, we initiated plans to consolidate manufacturing and administrative operations in order to streamline our global organization and reduce costs. We accrued $21 million in severance costs associated with these actions. The following table displays a roll-forward from January 1, 2008 to June 27, 2008 of the employee separation accruals established related to the second quarter 2008 reorganization:

(in millions, except headcount)	Accruals at January 1, 2008	Charges	Adjustments	2008 Amounts Used	Accruals at June 27, 2008
Employee Separation Costs					
Manufacturing	$ —	$ 11	$ —	$ 2	$ 9
Selling, general and administrative	—	3	—	—	3
Research and development	—	7	—	—	7
Total	$ —	$ 21	$ —	$ 2	$ 19
Related headcount	—	480	—	100	380
Exit and Other Costs	$ —	$ 7	$ —	$ 4	$ 3

During the three months ended June 27, 2008, we separated 100 employees. The $2 million used reflects initial cash payments made to these separated employees through June 27, 2008. We will make additional payments to these separated employees and the remaining 380 employees through the first quarter of 2009. In addition to these employee separation costs, we also recorded $7 million in exit and other costs related primarily to these actions and an $8 million non-cash impairment charge related to our manufacturing facility located in Tempe, Arizona, which was classified as held-for-sale as of June 27, 2008.

Second Quarter 2007 Reorganization of Business Program

During the second quarter of 2007, we announced plans to improve our operational effectiveness and reduce costs through an employee separation program. The following table displays a roll-forward from January 1, 2008 to June 27, 2008 of the accruals established related to the second quarter 2007 reorganization:

(in millions, except headcount)	Accruals at January 1, 2008	Charges	Adjustments	2008 Amounts Used	Accruals at June 27, 2008
Manufacturing	$ 8	$ —	$ —	$ 8	$ —
Selling, general and administrative	5	—	1	2	2
Research and development	1	—	1	—	—
Total	$ 14	$ —	$ 2	$ 10	$ 2
Related headcount	100	—	30	70	—

During the six months ended June 27, 2008, we separated 70 employees. The $10 million used reflects initial cash payments made to these separated employees through June 27, 2008. We will make additional payments to these separated employees through the third quarter of 2008. We reversed $2 million of the remaining accrual due to approximately 30 employees previously identified for separation who resigned unexpectedly and did not receive severance or were redeployed due to circumstances not foreseen when the original plans were approved.

Liquidity and Capital Resources

Cash and Cash Equivalents

Of the $1,199 million of cash and cash equivalents and short-term investments we held at June 27, 2008, $173 million was held by our U.S. subsidiaries and $1,026 million was held by our foreign subsidiaries. Repatriation of some of these funds could be subject to delay and could have potential tax consequences, principally with respect to withholding taxes required in foreign jurisdictions.

Operating Activities

We generated cash flow from operations of $539 million and $30 million for the first half of 2008 and 2007, respectively. The increase is primarily attributable to a decrease in our net operating loss of $398 million and the receipt of funds in connection with the updated arrangement with Motorola. Our days sales outstanding increased to 43 days at June 27, 2008 from 33 days at December 31, 2007, as a result of a greater percentage of the current quarter's sales occurring closer to the end of the quarter. As a result of a sell-through of inventory, our days of inventory on hand (excluding the impact of

purchase accounting on inventory and cost of sales) decreased to 84 days at June 27, 2008 from 87 days at year-end. Days purchases outstanding increased to 55 days at June 27, 2008 from 40 days at December 31, 2007, due primarily to fluctuations in the timing of payments at December 31, 2007.

Investing Activities

Our net cash (used for) provided by investing activities was $(158) million and $42 million for the first half of 2008 and 2007, respectively. Our investing activities are driven by investment of our excess cash, capital expenditures, strategic acquisitions and investments in other companies and sales of investments and businesses. Our capital expenditures were $159 million and $164 million for the first half of 2008 and 2007, respectively, and represented 6% of net sales.

The increase in the cash used in our investing activities in the first half of 2008 versus the prior year period was primarily the result of the repurchase of short-term investments and the utilization of $94 million of cash in connection with the acquisition of SigmaTel in the second quarter of 2008. This was partially offset by proceeds from the sale of our property, plant and equipment located at the 300-millimeter wafer fabrication facility located in Crolles, France, where we ended a strategic development and manufacturing relationship with two other semiconductor manufacturers in the fourth quarter of 2007.

Financing Activities

Our net cash used for financing activities was $95 million and $22 million for the first half of 2008 and 2007, respectively. During the first half of 2008, we utilized $67 million to repurchase a portion of our outstanding Senior Subordinated Notes, Fixed Rate Notes and Floating Rate Notes (all as defined in Note 4 to the consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2007), and $28 million to make additional long-term debt and capital lease payments. Cash used for financing activities during the first quarter of 2007 primarily consisted of long-term debt and capital lease payments.

During the first half of 2008, we repurchased $10 million of our outstanding Fixed Rate Notes, $67 million of our Senior Subordinated Notes and $8 million of our Floating Rate Notes. We used funds from our short-term investment portfolio for the purchase and early retirement of these notes at an $18 million discount.

At June 27, 2008, FSL, Inc., Holdings III, IV and V (the “Borrowers”) had a senior secured credit facility (“Credit Facility”) that included (i) a $3.5 billion term loan, including letters of credit and swing line loan sub-facilities (“Term Loan”), and (ii) a revolving credit facility with a committed capacity of $750 million (“Revolver”). The Term Loan will mature on December 1, 2013. The Revolver will be available through December 1, 2012, at which time all outstanding principal amounts under the Revolver will be due and payable. We may, subject to customary conditions, request an increase in the amount available under the Revolver of up to an additional $1 billion for a total commitment of up to $5.25 billion. Borrowings under the Credit Facility may be used for working capital purposes, capital expenditures, investments, share repurchases, acquisitions and other general corporate purposes. At June 27, 2008, $3,448 million was outstanding under the Term Loan, and there were no borrowings outstanding under the Revolver. The Borrowers had $18 million in letters of credit outstanding under the Revolver at June 27, 2008.

The Term Loan and Revolver bear interest, at the Borrowers’ option, at a rate equal to a margin over either (i) a base rate equal to the higher of either (a) the prime rate of Citibank, N.A. or (b) the federal funds rate, plus one-half of 1%; or, (ii) a LIBOR rate based on the cost of funds for deposit in the currency of borrowing for the relevant interest period, adjusted for certain additional costs. The interest rate on the Term Loan at June 27, 2008 was 2.46%. On February 14, 2007, the Borrowers entered into an amendment to the $3.5 billion Term Loan, lowering the spread over LIBOR from 2.00% to 1.75%. The applicable margin for borrowings under the Revolver may be reduced subject to the attainment of certain leverage ratios. The Borrowers are also required to repay a portion of the outstanding Term Loan balance in quarterly installments in aggregate annual amounts equal to 1% of the initial outstanding balance for the first six years and nine months after the Term Loan closing date, with the remaining balance due upon maturity. The Borrowers are also required to pay quarterly facility commitment fees on the unutilized capacity of the Revolver at an initial rate of 0.50% per annum. The commitment fee rate may be reduced subject to our attaining certain leverage ratios. The Borrowers are also required to pay customary letter of credit fees.

The Borrowers had an aggregate principal amount of $5,865 million in senior notes outstanding at June 27, 2008, consisting of (i) $492 million of floating rate notes maturing in 2014 and bearing interest at a rate, reset quarterly, equal to three-month LIBOR (which was 2.78% on June 27, 2008) plus 3.875% per annum (“Floating Rate Notes”), (ii) $1,500 million of 9.125% / 9.875% PIK-election notes maturing in 2014 (“Toggle Notes”), (iii) $2,340 million of 8.875% notes maturing in 2014 (“Fixed Rate Notes”), and (iv) $1,533 million of 10.125% senior subordinated notes maturing in 2016 (“Senior Subordinated Notes”). Relative to our overall indebtedness, the Floating Rate Notes, Toggle Notes and Fixed Rate

Notes (together, the "Senior Notes," and including the Senior Subordinated Notes, the "Notes"), rank in right of payment (i) equal to all senior unsecured indebtedness (ii) senior to all subordinated indebtedness (including the Senior Subordinated Notes), and (iii) junior to all secured indebtedness (including the Credit Facility), to the extent assets secure that indebtedness. The Senior Subordinated Notes are unsecured senior subordinated obligations and rank junior in right of payment to our senior indebtedness, including indebtedness under the Credit Facility and Senior Notes.

In connection with the issuance of the Term Loan and Floating Rate Notes, the Borrowers also entered into interest rate swap contracts with various counterparties as a hedge of the variable cash flows of our variable interest rate debt. Under the terms of the interest rate swap contracts, we have effectively converted $900 million of the variable interest rate debt to fixed interest rate debt through December 1, 2009. We elected to switch from 3-month to 1-month LIBOR on our Term Loan in order to realize interest payment savings due to decreasing interest rates. As a result of making this election, interest rate swaps with a total notional amount of $900 million were no longer designated as a cash flow hedge in accordance with SFAS No. 133, and the Company reclassified a loss on these interest rate swaps of $16 million, net of tax, from accumulated other comprehensive loss into earnings in the first half of 2008. In accordance with SFAS No. 133, the unrealized loss represents the cumulative ineffective portion and change in fair value from the date of de-designation in the first half of 2008. The remaining effective portion of the interest rate swaps at June 27, 2008 is $6 million, net of tax, and continues to be accounted for in accumulated other comprehensive loss.

In addition, during the first quarter of 2008, the Borrowers entered into an additional interest rate swap agreement with a notional amount of $100 million. This swap is effective from December 1, 2009 through December 1, 2012.

As of June 27, 2008, our current corporate credit ratings from Standard & Poor's, Moody's and Fitch were B+, B1 and B+, respectively.

The Credit Facility and Notes have restrictive covenants that limit the Borrowers' ability to, among other things, incur or guarantee additional indebtedness or issue preferred stock; pay dividends and make other restricted payments; incur restrictions on the payment of dividends or other distributions from our restricted subsidiaries; create or incur certain liens; make certain investments; transfer or sell assets; engage in transactions with affiliates; and, merge or consolidate with other companies or transfer all or substantially all of our assets. Under the Credit Facility, the Borrowers must comply with conditions precedent that must be satisfied prior to any borrowing, as well as ongoing compliance with specified affirmative and negative covenants, including covenants relating to maintenance of specified financial ratios. The Credit Facility and Notes also provide for customary events of default, including failure to pay any principal or interest when due, failure to comply with covenants and cross-faults or cross-escalation provisions. The Borrowers were in compliance with these covenants as of June 27, 2008.

EBITDA/Adjusted EBITDA

Adjusted earnings before cumulative effect of accounting change, interest, taxes, depreciation and amortization ("Adjusted EBITDA") is a non-U.S. GAAP measure that we use to determine our compliance with certain covenants contained in the Credit Facility and the indentures governing the Notes. Adjusted EBITDA is defined as EBITDA adjusted to add back certain non-cash, non-recurring and other items that are included in EBITDA and/or net earnings (loss), as required by various covenants in the indentures and the Credit Facility. We believe that the presentation of Adjusted EBITDA is appropriate to provide additional information to investors to demonstrate compliance with our financing covenants. Our ability to engage in activities such as incurring additional indebtedness, making investments and paying dividends is tied to ratios based on Adjusted EBITDA.

Adjusted EBITDA does not represent, and should not be considered an alternative to, net earnings (loss), operating earnings (loss), or cash flow from operations as those terms are defined by U.S. GAAP and does not necessarily indicate whether cash flows will be sufficient to fund cash needs. While Adjusted EBITDA and similar measures are frequently used as measures of operations and the ability to meet debt service requirements by other companies, our use of Adjusted EBITDA is not necessarily comparable to such other similarly titled captions of other companies. The definition of Adjusted EBITDA in the indentures and the Credit Facility allows us to add back certain charges that are deducted in calculating EBITDA and/or net earnings (loss). However, some of these expenses may recur, vary greatly and are difficult to predict. Further, our debt instruments require that Adjusted EBITDA be calculated for the most recent four fiscal quarters. As a result, the measure can be disproportionately affected by a particularly strong or weak quarter. Further, it may not be comparable to the measure for any subsequent four-quarter period or any complete fiscal year.

The following is a reconciliation of net loss, which is a U.S. GAAP measure of our operating results, to Adjusted EBITDA, as defined in our debt agreements.

(in millions)	Twelve Months Ended June 27, 2008
Net loss	$ (1,216)
Interest expense, net	731
Income tax benefit	(601)
Depreciation and amortization (*)	1,979
EBITDA	893
Non-cash stock-based employee compensation (1)	51
Other non-cash charges (2)	462
Non-recurring/one-time items (3)	81
Cost savings (4)	43
Other defined terms (5)	98
Adjusted EBITDA	$ 1,628

(*) Excludes amortization of debt issuance costs, which are included in interest expense, net.

(1) Reflects non-cash, stock-based employee compensation expense under the provisions of SFAS No. 123(R), “Share-based Payments.”

(2) Reflects the non-cash charges related to purchase accounting adjustments for inventory, impairments of intangible assets and other non-cash items.

(3) Reflects one-time Merger expenses and our reorganization of business program.

(4) Reflects cost savings that we expect to achieve from certain initiatives where actions have begun or have already been completed.

(5) Reflects other adjustments required in determining our debt covenant compliance.

Contractual Obligations

We have product purchase commitments associated with strategic manufacturing relationships include take or pay provisions based on volume commitments for work in progress and forecasted demand based on 18-month rolling forecasts, which are adjusted monthly. Our commitment is $116 million as of June 27, 2008, compared to $76 million as of December 31, 2007.

Future Financing Activities

Our primary future cash needs on a recurring basis will be for working capital, capital expenditures and debt service obligations. We believe that our cash, cash equivalents and short-term investments balance as of June 27, 2008 of approximately $1,199 million and cash flows from operations and asset dispositions will be sufficient to fund our working capital needs, capital expenditures and other business requirements for at least the next 12 months. We also have access to $732 million in committed capacity under our Revolver. Our ability to borrow under this Revolver is not restricted by any incurrence-based covenants, to the extent other covenants permit such borrowings.

If our cash flows from operations are less than we expect or we require funds to consummate acquisitions of other businesses, assets, products or technologies, we may need to incur additional debt, sell or monetize certain existing assets or utilize our cash and cash equivalents or short-term investments. We incurred significant indebtedness and utilized significant amounts of cash and cash equivalents, short-term investments and marketable securities in order to complete the Merger. In the event additional funding is required, we believe that we will be able to access capital markets on terms and in amounts adequate to meet our current objectives; however, given the possibility of changes in market conditions and our incurrence of significant indebtedness, we cannot assure you that such funding will be available on terms favorable to us or at all.

As market conditions warrant, the Company and its major equity holders may from time to time repurchase debt securities issued by us, in privately negotiated or open market transactions, by tender offer or otherwise. During the first half of 2008, we repurchased $10 million of our outstanding Fixed Rate Notes, $67 million of our Senior Subordinated Notes and $8 million of our Floating Rate Notes. We used funds from our short-term investment portfolio for the purchases and early retirement of debt at an $18 million discount.

Our ability to make payments to fund working capital, capital expenditures, debt service, strategic acquisitions, joint ventures and investments will depend on our ability to generate cash in the future, which is subject to both external and specific factors including (i) general economic conditions; (ii) customer specific demand for our products and efficaciousness of our customers' sales programs; and (iii) financial, regulatory, competitive and other factors that are beyond our control. Future indebtedness may impose various restrictions and covenants on us which could limit our ability to respond to market conditions, to provide for unanticipated capital investments or to take advantage of business opportunities.

Off-Balance Sheet Arrangements

We use customary off-balance sheet arrangements, such as operating leases and letters of credit, to finance our business. None of these arrangements has or is likely to have a material effect on our results of operations, financial condition or liquidity.

Significant Accounting Policies and Critical Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Our significant accounting policies and critical estimates are disclosed in our December 31, 2007 Annual Report on Form 10-K. No material changes to our significant accounting policies and critical estimates have occurred subsequent to December 31, 2007.

Recent Accounting Pronouncements

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS No. 161"). SFAS No. 161 amends and expands the disclosure requirements of SFAS No. 133. It requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2008. Accordingly, we will adopt SFAS No. 161 in the first quarter of 2009. We are currently evaluating the impact of SFAS No. 161 on the consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51" ("SFAS No. 160"). SFAS 160 requires an entity to clearly identify and present ownership interests in subsidiaries held by parties other than the entity in the consolidated financial statements within the equity section but separate from the entity's equity. It also requires the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income; changes in ownership interest be accounted for similarly, as equity transactions; and when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary and the gain or loss on the deconsolidation of the subsidiary be measured at fair value. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2008. Accordingly, we will adopt SFAS No. 160 in the first quarter of 2009. We are currently evaluating the impact of SFAS No. 160 on the consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS No. 141(R)"). Under SFAS No. 141(R), an entity is required to recognize the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair value on the acquisition date. It further requires that acquisition-related costs be recognized separately from the acquisition and expensed as incurred, restructuring costs generally be expensed in periods subsequent to the acquisition date, and changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period impact income tax expense. In addition, acquired in-process research and development is capitalized as an intangible asset and amortized over its estimated useful life. The adoption of SFAS No. 141(R) will change our accounting treatment for business combinations on a prospective basis beginning in the first quarter of 2009.

Item 3: Quantitative and Qualitative Disclosures About Market Risk.

The fair value of our long-term debt approximates $7,725 million at June 27, 2008, which has been determined based upon quoted market prices; this compares to a net book value of $9,278 million as of the same date. Since considerable judgment is required in interpreting market information, the fair value of the long-term debt is not necessarily indicative of the amount which could be realized in a current market exchange. The fair value of our interest rate swap agreements was an obligation of $19 million at June 27, 2008. The fair value of our interest rate swaps was estimated based on the yield curve at June 27, 2008. A 10% decrease in market rates would increase the fair value of our long-term debt by $71 million and decrease the fair value of our interest rate swaps by $3 million.

Effective January 1, 2008, we changed the functional currency for certain foreign operations to the U.S. dollar. Major changes in economic facts and circumstances supported this change in functional currency. The change in functional currency is applied on a prospective basis. The U.S dollar-translated amounts of nonmonetary assets and liabilities at December 31, 2007 became the historical accounting basis for those assets and liabilities at January 1, 2008 and for subsequent periods. As a result of this change in functional currency, exchange rate gains and losses are recognized on transactions in currencies other than the U.S. dollar and included in operations for the period in which the exchange rates changed.

At June 27, 2008, we had net outstanding foreign exchange contracts not designated as accounting hedges with notional amounts totaling $280 million. The fair value of these forward contracts was a net unrealized loss of $2 million at June 27, 2008. Management believes that these financial instruments should not subject us to undue risk due to foreign exchange movements because gains and losses on these contracts should offset losses and gains on the assets, liabilities, and transactions being hedged. The following table shows, in millions of United States dollars, the notional amounts of the most significant net foreign exchange hedge positions as of June 27, 2008:

Buy (Sell)	June 27, 2008	December 31, 2007
Euro	$ 120	$ (18)
Malaysian Ringgit	$ 62	$ 53
Japanese Yen	$ (28)	$ 17
British Pound	$ 23	$ 19
Singapore Dollar	$ 14	$ —
Israeli Shekel	$ 3	$ 12
Danish Kroner	$ —	$ (415)

Foreign exchange financial instruments that are subject to the effects of currency fluctuations, which may affect reported earnings, include financial instruments and other financial instruments which are not denominated in the functional currency of the legal entity holding the instrument. Derivative financial instruments consist primarily of forward contracts. Other financial instruments, which are not denominated in the functional currency of the legal entity holding the instrument, consist primarily of cash and cash equivalents, notes and accounts payable and receivable. The fair value of the foreign exchange financial instruments would hypothetically decrease by $47 million as of June 27, 2008, if the U.S. dollar were to appreciate against all other currencies by 10% of current levels. This hypothetical amount is suggestive of the effect on future cash flows under the following conditions: (i) all current payables and receivables that are hedged were not realized, (ii) all hedged commitments and anticipated transactions were not realized or canceled, and (iii) hedges of these amounts were not canceled or offset. We do not expect that any of these conditions will be realized. We expect that gains and losses on the derivative financial instruments should offset gains and losses on the assets, liabilities and future transactions being hedged. If the hedged transactions were included in the sensitivity analysis, the hypothetical change in fair value would be immaterial. The foreign exchange financial instruments are held for purposes other than trading.

Reference is made to the “Quantitative and Qualitative Disclosures About Market Risk” discussion within Management’s Discussion and Analysis of Financial Condition and Results of Operations in our December 31, 2007 Annual Report on Form 10-K. Other than the change to the fair value of our long-term debt and the change in our functional currency for certain foreign operations, we experienced no significant changes in market risk during the three months ended June 27, 2008. However, we cannot assure you that future changes in foreign currency rates or interest rates will not have a significant effect on our consolidated financial position, results of operations or cash flows.

Item 4: Controls and Procedures.

(a) *Evaluation of disclosure controls and procedures.* Under the supervision and with the participation of our senior management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this quarterly report (the “Evaluation Date”). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded as of the

Evaluation Date that our disclosure controls and procedures were effective such that the information relating to the Company, including our consolidated subsidiaries, required to be disclosed in our Securities and Exchange Commission ("SEC") reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) *Changes in internal control over financial reporting.* There have been no changes in our internal control over financial reporting that occurred during the quarter ended June 27, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - Other Information

Item 1: Legal Proceedings.

From time to time, we are involved in legal proceedings arising in the ordinary course of business, including tort and contractual disputes, claims before the United States Equal Employment Opportunity Commission and other employee grievances, and intellectual property litigation and infringement claims. Intellectual property litigation and infringement claims could cause us to incur significant expenses or prevent us from selling our products. Under the FSL, Inc. agreements with Motorola, FSL, Inc. will indemnify Motorola for certain liabilities related to our business incurred prior to the FSL, Inc. separation from Motorola.

A purported class action, Howell v. Motorola, Inc., et al., was filed against Motorola and various of its directors, officers and employees in the United States District Court for the Northern District of Illinois ("Illinois District Court") on July 21, 2003, alleging breach of fiduciary duty and violations of the Employment Retirement Income Security Act ("ERISA"). The complaint alleged that the defendants had improperly permitted participants in the Motorola 401(k) Plan ("Plan") to purchase or hold shares of common stock of Motorola because the price of Motorola's stock was artificially inflated by a failure to disclose vendor financing to Telsim in connection with the sale of telecommunications equipment by Motorola. The plaintiff sought to represent a class of participants in the Plan for whose individual accounts the Plan purchased or held shares of common stock of Motorola from "May 16, 2000 to the present," and sought an unspecified amount of damages. On September 30, 2005, the Illinois District Court dismissed the second amended complaint filed on October 15, 2004. Plaintiff filed an appeal to the dismissal on October 27, 2005. On March 19, 2007, the appeals court dismissed the appeal. Three new purported lead plaintiffs intervened in the case, and filed a motion for class certification seeking to represent Plan participants for whose individual accounts the Plan purchased and/or held shares of Motorola common stock from May 16, 2000 through December 31, 2002. On September 28, 2007, the Illinois District Court granted the motion for class certification but narrowed the requested scope of the class. Motorola has sought leave to appeal in the appellate court and reconsideration in the Illinois District Court of certain aspects of the class certification order. On October 25, 2007, the Illinois District Court modified the scope of the class, granted summary judgment dismissing two of the individually-named defendants in light of the narrowed class, and ruled that the judgment as to the original named plaintiff, Howell, would be immediately appealable. The class as certified includes all Plan participants for whose individual accounts the Plan purchased and/or held shares of Motorola common stock from May 16, 2000 through May 14, 2001 with certain exclusions. On February 15, 2008, Motorola and its codefendants filed motions for summary judgment on all claims asserted by the class. Those motions are currently pending before the District Court. On February 22, 2008, the United States Court of Appeals for the Seventh Circuit agreed to hear Motorola's interlocutory appeal of the District Court's order certifying the class. As a result of the terms of its separation from Motorola, it is possible that FSL, Inc. could be held responsible to Motorola for a portion of any judgment or settlement in this matter. We are still assessing the merits of this action as well as the potential effect on our consolidated financial position, results of operations and cash flows.

On April 17, 2007, Tessera Technologies, Inc. ("Tessera") filed a complaint against FSL, Inc., ATI Technologies, Inc., Motorola, Inc., Qualcomm, Inc., Spansion, Inc., Spansion LLC, and STMicroelectronics N.V. (collectively, the "Respondents") in the International Trade Commission ("ITC") requesting the ITC enter an injunction barring the importation of any product containing a device that allegedly infringes two identified patents related to ball grid array packaging technology. On April 17, 2007, Tessera filed a parallel lawsuit in the United States District Court for the Eastern District of Texas against ATI, FSL, Inc., Motorola and Qualcomm claiming an unspecified amount of monetary damage as compensation for the alleged infringement of the same Tessera patents. Tessera's patent claims relate to ball grid array (BGA) packaging technology. On February 26, 2008, the Administrative Law Judge in the ITC proceeding granted the Respondents' motion to stay the ITC proceeding pending the completion of the reexamination by the U.S. Patent and Trademark Office of the two patents asserted by Tessera in the ITC proceeding. On March 28, 2008, the ITC reversed this decision and ordered the reinstatement of the ITC proceeding, which occurred during the week of July 14, 2008. We are still assessing the merits of both of these actions as well as the potential effect on our consolidated financial position, results of operations and cash flows.

On April 18, 2008 LSI Corporation ("LSI") and Agere Systems, Inc. ("Agere") filed a complaint against FSL, Inc. and 17 other corporations in the ITC requesting the ITC to enter an injunction barring the importation of any product containing a device that infringes an Agere patent. LSI filed a parallel lawsuit in the United States District Court for the Eastern District of Texas on the same day against the same parties claiming an unspecified amount of monetary damage as compensation for the defendants' alleged infringement of the same patent. LSI asserts that its patent covers tungsten metallization technology, which is allegedly used in FSL Inc.'s chip manufacturing process. We are still assessing the merits of both of these actions as well as the potential effect on our consolidated financial position, results of operations or cash flow.

Other than as described above, we do not believe that there is any litigation pending that could have, individually or in the aggregate, a material negative impact on our consolidated financial position, results of operations, and cash flows.

Environmental Matters

Our operations are subject to a variety of environmental laws and regulations in each of the jurisdictions in which we operate governing, among other things, air emissions, wastewater discharges, the use, handling and disposal of hazardous substances and wastes, soil and groundwater contamination, and employee health and safety. As with other companies engaged in similar industries, environmental compliance obligations and liability risks are inherent in many of our manufacturing and other activities. In the United States, certain environmental remediation laws, such as the federal "Superfund" law, can impose the entire cost of site clean-up, regardless of fault, upon any single potentially responsible party, including companies that owned, operated, or sent wastes to a site. In some jurisdictions, environmental requirements may become more stringent in the future which could affect our ability to obtain or maintain necessary authorizations and approvals or could result in increased environmental compliance costs. We believe that our operations are in compliance in all material respects with current requirements under applicable environmental laws.

Motorola was identified as a potentially responsible party in the past, and has been engaged in investigations, administrative proceedings, and/or cleanup processes with respect to past chemical releases into the environment. FSL, Inc. agreed to indemnify Motorola for certain environmental liabilities related to its business, including matters described below. Potential future liability at such sites (excluding costs spent to date) may adversely affect our results of operations.

52nd Street Facility, Phoenix, AZ. In 1983, a trichloroethane leak from a solvent tank led to the discovery of chlorinated solvents in the groundwater underlying a former Motorola facility located on 52nd Street in Phoenix, Arizona, which resulted in the facility and adjacent areas being placed on the federal National Priorities List of Superfund sites. The 52nd Street site was subsequently divided into three operable units by the Environmental Protection Agency (EPA), which is overseeing site investigations and cleanup actions with the Arizona Department of Environmental Quality (ADEQ). To date, two separate soil cleanup actions have been completed at the first operable unit ("Operable Unit One"), for which Motorola received letters stating that no further action would be required with respect to the soils. We also implemented and are operating a system to treat contaminated groundwater in Operable Unit One and prevent migration of the groundwater from Operable Unit One. The EPA has not announced a final remedy for Operable Unit One and it is therefore possible that costs to be incurred at this operable unit in future periods may vary from our estimates. In relation to the second operable unit, the EPA issued a record of decision in July 1994, and subsequently issued a consent decree, which required Motorola to design a remediation plan targeted at containing and cleaning up solvent groundwater contamination down gradient of Operable Unit One. That remedy is now being implemented by FSL, Inc. and another potentially responsible party pursuant to an administrative order. The EPA and ADEQ are currently performing a remedial investigation at the third operable unit ("Operable Unit Three") to determine the extent of groundwater contamination. A number of additional potentially responsible parties, including Motorola, have been identified in relation to Operable Unit Three. Because this investigation is in its early stages, we cannot predict at this time the extent to which we may be held liable for cleanup at Operable Unit Three or whether that liability would be material.

56th Street Facility, Phoenix, AZ. In 1985, the EPA initiated an inquiry concerning the former Motorola facility located on 56th Street in Phoenix, Arizona following the discovery of organic compounds in certain local area wells. Motorola completed several remedial actions at this site including soil excavation and cleanup. We subsequently undertook voluntary negotiations with ADEQ, who assumed primary responsibility for this matter in 2004 under the state's Water Quality Assurance Revolving Fund Program.

Item 1A: Risk Factors.

For a description of the risk factors affecting our business and results of operations, refer to our December 31, 2007 Annual Report on Form 10-K.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds.

(a) Not applicable.

(b) Not applicable.

(c) Not applicable.

Item 3: Defaults Upon Senior Securities.

Not applicable.

Item 4: Submission of Matters to a Vote of Security Holders.

Not applicable.

Item 5: Other Information.

Gene Frantz and John C. Hodge have resigned as directors of the Company effective as of July 24, 2008. Mr. Frantz had served the Company as the Chairman of the Audit and Legal Committee of the Board of Directors. Mr. Hodge was also a member of the Audit and Legal Committee.

The Blackstone Group, The Carlyle Group, funds advised by Permira Advisors, LLC and TPG Capital (the "Sponsors") are all parties to a shareholders agreement with respect to their interests in Freescale Holdings GP, Ltd. ("GP"), the general partner of Freescale Holdings L.P., which owns substantially all of the Company. The shareholders agreement, among other things, provides for the composition of the Board of Directors of GP. All of the representatives of the Sponsors who serve on the Board of Directors of GP also serve on the Board of Directors of the Company. Under the terms of the shareholders agreement, TPG Capital appointed Kevin Burns to fill the vacancy created by Mr. Frantz's resignation, and the Blackstone Group appointed James Quella to fill the vacancy created by Mr. Hodge's resignation. Mr. Burns and Mr. Quella were both appointed on July 24, 2008.

We expect that Mr. Burns and Mr. Quella will both be appointed to the Audit and Legal Committee of the Board of Directors of the Company.

The Sponsors are parties to certain arrangements and agreements with the Company as described in our Form 10-K filed on March 13, 2008, under "Part III, Item 13: Certain Relationships and Related Transactions, and Director Independence."

Item 6: Exhibits.

Exhibit Number	Exhibit Title
4.1	Second Supplemental Indenture, dated as of June 20, 2008, between SigmaTel, Inc. and The Bank of New York, as trustee to the Senior Notes Indenture, as previously supplemented by a first supplemental indenture thereto, each dated as of December 1, 2006.
4.2	Second Supplemental Indenture, dated as of June 20, 2008, between SigmaTel, Inc. and The Bank of New York, as trustee to the Senior Subordinated Notes Indenture, as previously supplemented by a first supplemental indenture thereto, each dated as of December 1, 2006.
10.1	Form of Supplement to the Intellectual Property Security Agreement dated as of December 1, 2006, among Freescale Acquisition Holdings Corp. (n/k/a Freescale Semiconductor Holdings V, Inc.), Freescale Semiconductor, Inc., the Subsidiaries of Freescale Holdings (Bermuda) III, Ltd. (n/k/a Freescale Semiconductor Holdings III, Ltd.) from time to time party thereto and Citibank, N.A.
10.2	Supplement No. 1, dated as of June 5, 2008, between SigmaTel, Inc. and Citibank, N.A. as Administrative Agent under the Guaranty dated as of December 1, 2006, among Freescale Semiconductor Holdings V, Inc. (formerly known as Freescale Acquisition Holdings Corp.) , Freescale Semiconductor Holdings III, Ltd. (formerly known as Freescale Holdings (Bermuda) III, Ltd.) ("Parent"), Freescale Semiconductor Holdings IV, Ltd., (formerly known as Freescale Holdings (Bermuda) IV, Ltd.), Freescale Semiconductor Holdings I, Ltd. (formerly known as Freescale Holdings (Bermuda) I, Ltd.), Freescale Semiconductor Holdings II, Ltd. (formerly known as Freescale Holdings (Bermuda) II, Ltd.), the subsidiaries of Parent from time to time party thereto, and Citibank, N.A. as Administrative Agent.
10.3	Supplement No. 1, dated as of June 5, 2008, between SigmaTel, Inc. and Citibank, N.A. as Collateral Agent under the Security Agreement dated as of December 1, 2006, among Freescale Semiconductor Holdings V, Inc. (formerly known as Freescale Acquisition Holdings Corp.), Freescale Semiconductor, Inc. (successor in interest to Freescale Acquisition Corporation), Freescale Semiconductor Holdings IV, Ltd. (formerly known as Freescale Holdings (Bermuda) IV, Ltd.), the Subsidiaries of Freescale Semiconductor Holdings III, Ltd. (formerly known as Freescale Holdings (Bermuda) III, Ltd.) from time to time party thereto, and Citibank, N.A., as Collateral Agent.
10.4+	Freescale Holdings L.P. Award Agreement, dated as of April 7, 2008, between Freescale Holdings L.P. and Richard M. Beyer.

10.5+	Freescale Semiconductor Holdings Restricted Stock Unit Award Agreement, dated as of April 7, 2008, between Freescale Semiconductor Holdings I, Ltd. and Richard M. Beyer.
10.6+	Freescale Semiconductor, Inc. Deferred Compensation Agreement, dated as of February 11, 2008, between Freescale Semiconductor, Inc. and Richard M. Beyer.
10.7+	Amended and Restated Freescale Semiconductor Holdings 2007 Employee Incentive Plan.
31.1	Certification of Richard Beyer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Alan Campbell pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Richard Beyer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Alan Campbell pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

+= indicates a management contract or compensatory plan arrangement

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FREESCALE SEMICONDUCTOR HOLDINGS I, LTD.

Date: July 28, 2008

By: /s/ ALAN CAMPBELL
Alan Campbell
Chief Financial Officer

EXHIBIT 4.1

SECOND SUPPLEMENTAL INDENTURE

Second Supplemental Indenture (this "Supplemental Indenture"), dated as of June 20, 2008, among SigmaTel, Inc. (the "Guaranteeing Subsidiary"), a subsidiary of Freescale Semiconductor, Inc. (as successor by merger to Freescale Acquisition Corporation under the Indenture (as defined below)), a Delaware corporation (the "Issuer"), and The Bank of New York, as trustee (the "Trustee").

W I T N E S S E T H

WHEREAS, each of the Issuer and the Guarantors (as defined in the Indenture) have heretofore executed and delivered to the Trustee a Senior Notes Indenture, as previously supplemented by a first supplemental indenture thereto (the "Indenture"), each dated as of December 1, 2006, providing for the issuance of an unlimited aggregate principal amount of Senior Floating Rate Notes due 2014, 9 1/8%/9 7/8% Senior PIK-Election Notes due 2014 and 8 7/8% Senior Fixed Rate Notes due 2014 (together, the "Notes");

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiary shall unconditionally guarantee all of the Issuer's Obligations under the Notes and the Indenture on the terms and conditions set forth herein and under the Indenture (the "Guarantee"); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

(1) Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

(2) Agreement to Guarantee. The Guaranteeing Subsidiary hereby agrees as follows:

(a) Along with all other Guarantors named in the Indenture (including pursuant to any supplemental indentures), to jointly and severally unconditionally guarantee to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of the Indenture, the Notes or the obligations of the Issuer hereunder or thereunder, that:

(i) the principal of and interest and premium, if any, on the Notes shall be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of and interest on the Notes, if any, if lawful, and all other obligations of the Issuer to the Holders or

the Trustee thereunder shall be promptly paid in full or performed, all in accordance with the terms thereof; and

(ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that same shall be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason, the Guarantors and the Guaranteeing Subsidiary shall be jointly and severally obligated to pay the same immediately. This is a guarantee of payment and not a guarantee of collection.

(b) The obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or the Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuer, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor.

(c) The Guaranteeing Subsidiary hereby waives: diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Issuer, any right to require a proceeding first against the Issuer, protest, notice and all demands whatsoever.

(d) This Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes, the Indenture and this Supplemental Indenture. The Guaranteeing Subsidiary accepts all obligations applicable to a Guarantor under the Indenture, including Article X of the Indenture (which is deemed incorporated in this Supplemental Indenture and applicable to this Guarantee) and, as applicable, Section 12.18 of the Indenture. The Guaranteeing Subsidiary acknowledges that by executing this Supplemental Indenture, it will become a Subsidiary Guarantor under the Indenture and subject to all the terms and conditions applicable to Subsidiary Guarantors contained therein.

(e) If any Holder or the Trustee is required by any court or otherwise to return to the Issuer, the Guarantors (including the Guaranteeing Subsidiary), or any custodian, trustee, liquidator or other similar official acting in relation to either the Issuer or the Guarantors, any amount paid either to the Trustee or such Holder, this Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect.

(f) The Guaranteeing Subsidiary shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby.

(g) As between the Guaranteeing Subsidiary, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article 6 of the Indenture for the purposes of this Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (y) in the event of any declaration of acceleration of

such obligations as provided in Article 6 of the Indenture, such obligations (whether or not due and payable) shall forthwith become due and payable by the Guaranteeing Subsidiary for the purpose of this Guarantee.

(h) The Guaranteeing Subsidiary shall have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under this Guarantee.

(i) Pursuant to Section 10.02 of the Indenture, after giving effect to all other contingent and fixed liabilities that are relevant under any applicable Bankruptcy or fraudulent conveyance laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under Article 10 of the Indenture, this new Guarantee shall be limited to the maximum amount permissible such that the obligations of such Guaranteeing Subsidiary under this Guarantee will not constitute a fraudulent transfer or conveyance.

(j) This Guarantee shall remain in full force and effect and continue to be effective should any petition be filed by or against the Issuer for liquidation, reorganization, should the Issuer become insolvent or make an assignment for the benefit of creditors or should a receiver or trustee be appointed for all or any significant part of the Issuer's assets, and shall, to the fullest extent permitted by law, continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Notes are, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee on the Notes and Guarantee, whether as a "voidable preference", "fraudulent transfer" or otherwise, all as though such payment or performance had not been made. In the event that any payment or any part thereof, is rescinded, reduced, restored or returned, the Note shall, to the fullest extent permitted by law, be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

(k) In case any provision of this Guarantee shall be invalid, illegal or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(l) This Guarantee shall be a general unsecured senior obligation of such Guaranteeing Subsidiary, ranking pari passu with any other future Senior Indebtedness of the Guaranteeing Subsidiary, if any.

(m) Each payment to be made by the Guaranteeing Subsidiary in respect of this Guarantee shall be made without set-off, counterclaim, reduction or diminution of any kind or nature.

(3) Execution and Delivery. The Guaranteeing Subsidiary agrees that the Guarantee shall remain in full force and effect notwithstanding the absence of the endorsement of any notation of such Guarantee on the Notes.

(4) Merger, Consolidation or Sale of All or Substantially All Assets.

(a) Except as otherwise provided in Section 5.01(c) of the Indenture, the Guaranteeing Subsidiary may not consolidate or merge with or into or wind up into (whether or not the Issuer or Guaranteeing Subsidiary is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets, in one or more related transactions, to any Person unless:

(i)(A) the Guaranteeing Subsidiary is the surviving corporation or the Person formed by or surviving any such consolidation or merger (if other than the Guaranteeing Subsidiary) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is a corporation organized or existing under the laws of the jurisdiction of organization of the Guaranteeing Subsidiary, as the case may be, or the laws of the United States, any state thereof, the District of Columbia, or any territory thereof (the Guaranteeing Subsidiary or such Person, as the case may be, being herein called the "Successor Person");

(B) the Successor Person, if other than the Guaranteeing Subsidiary, expressly assumes all the obligations of the Guaranteeing Subsidiary under the Indenture and the Guaranteeing Subsidiary's related Guarantee pursuant to supplemental indentures or other documents or instruments in form reasonably satisfactory to the Trustee;

(C) immediately after such transaction, no Default exists; and

(D) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indentures, if any, comply with the Indenture; or

(ii) the transaction is made in compliance with Section 4.10 of the Indenture;

(b) Subject to certain limitations described in the Indenture, the Successor Person will succeed to, and be substituted for, the Guaranteeing Subsidiary under the Indenture and the Guaranteeing Subsidiary's Guarantee. Notwithstanding the foregoing, the Guaranteeing Subsidiary may merge into or transfer all or part of its properties and assets to another Guarantor or the Issuer.

(5) Releases.

The Guarantee of the Guaranteeing Subsidiary shall be automatically and unconditionally released and discharged, and no further action by the Guaranteeing Subsidiary, the Issuer or the Trustee is required for the release of the Guaranteeing Subsidiary's Guarantee, upon:

(a)(i) any sale, exchange or transfer (by merger or otherwise) of the Capital Stock of the Guaranteeing Subsidiary (including any sale, exchange or transfer), after which the Guaranteeing Subsidiary is no longer a Restricted Subsidiary or all or substantially all the assets of the Guaranteeing Subsidiary

which sale, exchange or transfer is made in compliance with the applicable provisions of the Indenture;

(ii) the release or discharge of the guarantee by the Guaranteeing Subsidiary of the Senior Credit Facilities or the guarantee which resulted in the creation of the Guarantee, except a discharge or release by or as a result of payment under such guarantee;

(iii) the proper designation of the Guaranteeing Subsidiary as an Unrestricted Subsidiary; or

(iv) the Issuer exercising its Legal Defeasance option or Covenant Defeasance option in accordance with Article 8 of the Indenture or the Issuer's obligations under the Indenture being discharged in accordance with the terms of the Indenture; and

(b) the Guaranteeing Subsidiary delivering to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for in the Indenture relating to such transaction have been complied with.

(6) No Recourse Against Others. No director, officer, employee, incorporator or stockholder of the Guaranteeing Subsidiary shall have any liability for any obligations of the Issuer or the Guarantors (including the Guaranteeing Subsidiary) under the Notes, any Guarantees, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting Notes waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

(7) Governing Law. THIS SUPPLEMENTAL INDENTURE WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(8) Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

(9) Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

(10) The Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary.

(11) Subrogation. The Guaranteeing Subsidiary shall be subrogated to all rights of Holders of Notes against the Issuer in respect of any amounts paid by the Guaranteeing Subsidiary pursuant to the provisions of Section 2 hereof and Section 10.01 of the Indenture; provided that, if an Event of Default has occurred and is continuing, the Guaranteeing Subsidiary

shall not be entitled to enforce or receive any payments arising out of, or based upon, such right of subrogation until all amounts then due and payable by the Issuer under the Indenture or the Notes shall have been paid in full.

(12) Benefits Acknowledged. The Guaranteeing Subsidiary's Guarantee is subject to the terms and conditions set forth in the Indenture. The Guaranteeing Subsidiary acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by the Indenture and this Supplemental Indenture and that the guarantee and waivers made by it pursuant to this Guarantee are knowingly made in contemplation of such benefits.

(13) Successors. All agreements of the Guaranteeing Subsidiary in this Supplemental Indenture shall bind its Successors, except as otherwise provided in Section 2(k) hereof or elsewhere in this Supplemental Indenture. All agreements of the Trustee in this Supplemental Indenture shall bind its successors.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first above written.

SIGMATEL, INC.

By: /s/ Daryl Raiford
Name: Daryl Raiford
Title: CEO, President & CFO

THE BANK OF NEW YORK, as Trustee

By: /s/ Beata Hryniewicka
Name: Beata Hryniewicka
Title: Assistant Vice President

EXHIBIT 4.2

SECOND SUPPLEMENTAL INDENTURE

Second Supplemental Indenture (this "Supplemental Indenture"), dated as of June 20, 2008, among SigmaTel, Inc. (the "Guaranteeing Subsidiary"), a subsidiary of Freescale Semiconductor, Inc. (as successor by merger to Freescale Acquisition Corporation under the Indenture (as defined below)), a Delaware corporation (the "Issuer"), and The Bank of New York, as trustee (the "Trustee").

W I T N E S S E T H

WHEREAS, each of the Issuer and the Guarantors (as defined in the Indenture) have heretofore executed and delivered to the Trustee a Senior Subordinated Notes Indenture, as previously supplemented by a first supplemental indenture thereto (the "Indenture"), each dated as of December 1, 2006, providing for the issuance of an unlimited aggregate principal amount of 10 1/8% Senior Subordinated Notes due 2016 (the "Notes");

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiary shall unconditionally guarantee all of the Issuer's Obligations under the Notes and the Indenture on the terms and conditions set forth herein and under the Indenture (the "Guarantee"); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

(1) Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

(2) Agreement to Guarantee. The Guaranteeing Subsidiary hereby agrees as follows:

(a) Along with all other Guarantors named in the Indenture (including pursuant to any supplemental indentures), to jointly and severally unconditionally guarantee to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of the Indenture, the Notes or the obligations of the Issuer hereunder or thereunder, that:

(i) the principal of and interest and premium, if any, on the Notes shall be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of and interest on the Notes, if any, if lawful, and all other obligations of the Issuer to the Holders or the Trustee thereunder shall be promptly paid in full or performed, all in accordance with the terms thereof; and

(ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that same shall be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason, the Guarantors and the Guaranteeing Subsidiary shall be jointly and severally obligated to pay the same immediately. This is a guarantee of payment and not a guarantee of collection.

(b) The obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or the Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuer, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor.

(c) The Guaranteeing Subsidiary hereby waives: diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Issuer, any right to require a proceeding first against the Issuer, protest, notice and all demands whatsoever.

(d) This Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes, the Indenture and this Supplemental Indenture. The Guaranteeing Subsidiary accepts all obligations applicable to a Guarantor under the Indenture, including Articles XI and XII of the Indenture (which are deemed incorporated in this Supplemental Indenture and applicable to this Guarantee) and, as applicable, Section 14.18 of the Indenture. The Guaranteeing Subsidiary acknowledges that by executing this Supplemental Indenture, it will become a Subsidiary Guarantor under the Indenture and subject to all the terms and conditions applicable to Subsidiary Guarantors contained therein.

(e) If any Holder or the Trustee is required by any court or otherwise to return to the Issuer, the Guarantors (including the Guaranteeing Subsidiary), or any custodian, trustee, liquidator or other similar official acting in relation to either the Issuer or the Guarantors, any amount paid either to the Trustee or such Holder, this Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect.

(f) The Guaranteeing Subsidiary shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby.

(g) As between the Guaranteeing Subsidiary, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article 6 of the Indenture for the purposes of this Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (y) in the event of any declaration of acceleration of such obligations as provided in Article 6 of the Indenture, such obligations (whether or not due and payable) shall forthwith become due and payable by the Guaranteeing Subsidiary for the purpose of this Guarantee.

(h) The Guaranteeing Subsidiary shall have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under this Guarantee.

(i) Pursuant to Section 11.02 of the Indenture, after giving effect to all other contingent and fixed liabilities that are relevant under any applicable Bankruptcy or fraudulent conveyance laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under Article 11 of the Indenture, this new Guarantee shall be limited to the maximum amount permissible such that the obligations of such Guaranteeing Subsidiary under this Guarantee will not constitute a fraudulent transfer or conveyance.

(j) This Guarantee shall remain in full force and effect and continue to be effective should any petition be filed by or against the Issuer for liquidation, reorganization, should the Issuer become insolvent or make an assignment for the benefit of creditors or should a receiver or trustee be appointed for all or any significant part of the Issuer's assets, and shall, to the fullest extent permitted by law, continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Notes are, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee on the Notes and Guarantee, whether as a "voidable preference", "fraudulent transfer" or otherwise, all as though such payment or performance had not been made. In the event that any payment or any part thereof, is rescinded, reduced, restored or returned, the Note shall, to the fullest extent permitted by law, be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

(k) In case any provision of this Guarantee shall be invalid, illegal or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(l) The obligations of the Guaranteeing Subsidiary under this Guarantee are subordinated in right of payment, to the extent and in the manner provided in Article XII of the Indenture to the prior payment in full of all existing and future Senior Indebtedness of the Guaranteeing Subsidiary.

(m) Each payment to be made by the Guaranteeing Subsidiary in respect of this Guarantee shall be made without set-off, counterclaim, reduction or diminution of any kind or nature.

(3) Execution and Delivery. The Guaranteeing Subsidiary agrees that the Guarantee shall remain in full force and effect notwithstanding the absence of the endorsement of any notation of such Guarantee on the Notes.

(4) Merger, Consolidation or Sale of All or Substantially All Assets.

(a) Except as otherwise provided in Section 5.01(c) of the Indenture, the Guaranteeing Subsidiary may not consolidate or merge with or into or wind up into (whether or not the Issuer or Guaranteeing Subsidiary is the surviving corporation), or sell, assign, transfer,

lease, convey or otherwise dispose of all or substantially all of its properties or assets, in one or more related transactions, to any Person unless:

(i)(A) the Guaranteeing Subsidiary is the surviving corporation or the Person formed by or surviving any such consolidation or merger (if other than the Guaranteeing Subsidiary) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is a corporation organized or existing under the laws of the jurisdiction of organization of the Guaranteeing Subsidiary, as the case may be, or the laws of the United States, any state thereof, the District of Columbia, or any territory thereof (the Guaranteeing Subsidiary or such Person, as the case may be, being herein called the "Successor Person");

(B) the Successor Person, if other than the Guaranteeing Subsidiary, expressly assumes all the obligations of the Guaranteeing Subsidiary under the Indenture and the Guaranteeing Subsidiary's related Guarantee pursuant to supplemental indentures or other documents or instruments in form reasonably satisfactory to the Trustee;

(C) immediately after such transaction, no Default exists; and

(D) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indentures, if any, comply with the Indenture; or

(ii) the transaction is made in compliance with Section 4.10 of the Indenture;

(b) Subject to certain limitations described in the Indenture, the Successor Person will succeed to, and be substituted for, the Guaranteeing Subsidiary under the Indenture and the Guaranteeing Subsidiary's Guarantee. Notwithstanding the foregoing, the Guaranteeing Subsidiary may merge into or transfer all or part of its properties and assets to another Guarantor or the Issuer.

(5) Releases.

The Guarantee of the Guaranteeing Subsidiary shall be automatically and unconditionally released and discharged, and no further action by the Guaranteeing Subsidiary, the Issuer or the Trustee is required for the release of the Guaranteeing Subsidiary's Guarantee, upon:

(a)(i) any sale, exchange or transfer (by merger or otherwise) of the Capital Stock of the Guaranteeing Subsidiary (including any sale, exchange or transfer), after which the Guaranteeing Subsidiary is no longer a Restricted Subsidiary or all or substantially all the assets of the Guaranteeing Subsidiary which sale, exchange or transfer is made in compliance with the applicable provisions of the Indenture;

(ii) the release or discharge of the guarantee by the Guaranteeing Subsidiary of the Senior Credit Facilities or the guarantee which resulted in the creation of the Guarantee, except a discharge or release by or as a result of payment under such guarantee;

(iii) the proper designation of the Guaranteeing Subsidiary as an Unrestricted Subsidiary; or

(iv) the Issuer exercising its Legal Defeasance option or Covenant Defeasance option in accordance with Article 8 of the Indenture or the Issuer's obligations under the Indenture being discharged in accordance with the terms of the Indenture; and

(b) the Guaranteeing Subsidiary delivering to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for in the Indenture relating to such transaction have been complied with.

(6) No Recourse Against Others. No director, officer, employee, incorporator or stockholder of the Guaranteeing Subsidiary shall have any liability for any obligations of the Issuer or the Guarantors (including the Guaranteeing Subsidiary) under the Notes, any Guarantees, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting Notes waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

(7) Governing Law. THIS SUPPLEMENTAL INDENTURE WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(8) Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

(9) Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

(10) The Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary.

(11) Subrogation. The Guaranteeing Subsidiary shall be subrogated to all rights of Holders of Notes against the Issuer in respect of any amounts paid by the Guaranteeing Subsidiary pursuant to the provisions of Section 2 hereof and Section 11.01 of the Indenture; provided that, if an Event of Default has occurred and is continuing, the Guaranteeing Subsidiary shall not be entitled to enforce or receive any payments arising out of, or based upon, such right

of subrogation until all amounts then due and payable by the Issuer under the Indenture or the Notes shall have been paid in full.

(12) Benefits Acknowledged. The Guaranteeing Subsidiary's Guarantee is subject to the terms and conditions set forth in the Indenture. The Guaranteeing Subsidiary acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by the Indenture and this Supplemental Indenture and that the guarantee and waivers made by it pursuant to this Guarantee are knowingly made in contemplation of such benefits.

(13) Successors. All agreements of the Guaranteeing Subsidiary in this Supplemental Indenture shall bind its Successors, except as otherwise provided in Section 2(k) hereof or elsewhere in this Supplemental Indenture. All agreements of the Trustee in this Supplemental Indenture shall bind its successors.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first above written.

SIGMATEL, INC.

By: /s/ Daryl Raiford
Name: Daryl Raiford
Title: Chief Executive Officer, President & Chief Financial Officer

THE BANK OF NEW YORK,
as Trustee

By: /s/ Beata Hryniewicka
Name: Beata Hryniewicka
Title: Assistant Vice President

EXHIBIT 10.1

SUPPLEMENT NO. ___ (this "**Supplement**") DATED AS OF _____, 200__, TO THE INTELLECTUAL PROPERTY SECURITY AGREEMENT DATED AS OF DECEMBER 1, 2006, AMONG FREESCALE ACQUISITION HOLDINGS CORP. (n/k/a Freescale Semiconductor Holdings V, Inc.) ("**Holdings**"), FREESCALE SEMICONDUCTOR, INC. (the "**Borrower**"), the Subsidiaries of FREESCALE HOLDINGS (BERMUDA) III, LTD. ("**Parent**") from time to time party thereto and CITIBANK, N.A., as Collateral Agent.

A. Reference is made to the Credit Agreement dated as of December 1, 2006 (as amended, supplemented or otherwise modified from time to time, the "**Credit Agreement**"), among the Borrower, Holdings, Parent, CITIBANK, N.A., as Administrative Agent, Swing Line Lender and an L/C Issuer, and each lender from time to time party thereto (collectively, the "**Lenders**" and individually, a "**Lender**").

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement and the Intellectual Property Security Agreement referred to therein.

C. The Grantors have entered into the Intellectual Property Security Agreement in order to induce the Lenders to make Loans and the L/C Issuers to issue Letters of Credit. Section 2.04(e) of the Intellectual Property Security Agreement provides that each Grantor must sign and deliver a supplemental Intellectual Property Security Agreement with respect to all applicable Intellectual Property owned by it as of the last day of the previous quarter to the extent that such Intellectual Property is not covered by any previous Intellectual Property Security Agreement.

Accordingly, the parties agree as follows:

SECTION 1.

(a) As security for the payment or performance, as the case may be, in full of the Obligations including the Guarantees, and in accordance with Section 2.04(e) of the Intellectual Property Security Agreement, each Grantor signing below by its signature below assigns and pledges to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, and hereby grants to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, a security interest (the "**Security Interest**") in all right, title or interest in or to any and all of the following assets and properties now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "**Collateral**"):

(i)(x) all copyright rights in any work subject to the copyright laws of the United States or any other country, whether as author, assignee, transferee or otherwise, and (y) all registrations and applications for registration of any such copyright in the United States or any other country, including registrations, recordings, supplemental registrations and pending applications for registration in the United States Copyright Office, including those listed on Schedule I hereto;

(ii)(x) all letters patent of the United States or the equivalent thereof in any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or the equivalent thereof in any other country, including registrations, recordings and pending applications in the United States Patent and Trademark Office or any similar offices in any other country, including those listed on Schedule I hereto, and (y) all reissues, continuations, divisions, continuations-in-part, renewals or extensions thereof, and the inventions disclosed or claimed therein, including the right to make, use and/or sell the inventions disclosed or claimed therein;

(iii)(x) all trademarks, service marks, trade names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, logos, other source or business identifiers, designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all registration and recording applications filed in connection therewith, including registrations and registration applications in the United States Patent and Trademark Office or any similar offices in any State of the United States or any other country or any political subdivision thereof, and all extensions or renewals thereof, including those listed on Schedule I hereto, (y) all goodwill connected with the use of and symbolized thereby, and (z) all other assets, rights and interests that uniquely reflect or embody such goodwill;

(iv) all Patent Licenses, Trademark Licenses, Copyright Licenses or other Intellectual Property licenses or sublicense agreements to which any Grantor is a party;

(v) all other Intellectual Property; and

(vi) all Proceeds and products of any and all of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing;

provided, *however*, that notwithstanding any of the other provisions herein (and notwithstanding any recording of the Collateral Agent's Lien made in the U.S. Patent and Trademark Office, U.S. Copyright Office, or other IP registry office), this Agreement shall not constitute a grant of a security interest in any property to the extent that such grant of a security interest is prohibited by any rule of law, statute or regulation or is prohibited by, or constitutes a breach or default under or results in the termination of any contract, license, agreement, instrument or other document evidencing or giving rise to such property, or would result in the forfeiture of the Grantor's rights in the property including, without limitation: any Trademark applications filed in the United States Patent and Trademark Office on the basis of such Grantor's "intent-to-use" such trademark, unless and until acceptable evidence of use of the Trademark has been filed with the United States Patent and Trademark Office pursuant to Section 1(c) or Section 1(d) of the Lanham Act (15 U.S.C. 1051, et seq.), to the extent that granting a lien in such Trademark application prior to such filing would adversely affect the enforceability or validity of such Trademark application.

(c) Each Grantor signing below hereby irrevocably authorizes the Collateral Agent for the benefit of the Secured Parties at any time and from time to time to file in any relevant jurisdiction any initial financing statements with respect to the Collateral or any part thereof and amendments thereto that contain the information required by Article 9 of the Uniform Commercial Code or the analogous legislation of each applicable jurisdiction for the filing of any financing statement or amendment, including whether such Grantor is an organization, the type of organization and any organizational identification number issued to such Grantor. Each Grantor agrees to provide such information to the Collateral Agent promptly upon request. The Collateral Agent is further authorized to file with the United States Patent and Trademark Office or United States Copyright Office (or any successor office or any similar office in any other country) such documents as may be necessary or advisable for the purpose of perfecting, confirming, continuing, enforcing or protecting the Security Interest granted by each Grantor, without the signature of any Grantor, and naming any Grantor or the Grantors as debtors and the Collateral Agent as secured party.

(d) The Security Interest is granted as security only and shall not subject the Collateral Agent or any other Secured Party to, or in any way alter or modify, any obligation or liability of any Grantor with respect to or arising out of the Collateral.

SECTION 2. Each Grantor represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

SECTION 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received a counterpart of this Supplement that bears the signature of each Grantor signing below. Delivery of an executed signature page to this Supplement by facsimile transmission or other electronic communication shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. Each Grantor signing below hereby represents and warrants that set forth on Schedule I attached hereto is a true and correct schedule in all material respects of any and all Patent, Trademark and Copyright registrations and applications not covered by any previous Intellectual Property Security Agreement or supplement thereto so signed and delivered by it.

SECTION 5. Except as expressly supplemented hereby, the Intellectual Property Security Agreement shall remain in full force and effect.

SECTION 6. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 7. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Intellectual Property

Security Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8. All communications and notices hereunder shall be in writing and given as provided in Section 5.01 of the Intellectual Property Security Agreement.

SECTION 9. The parties hereto agree that the Collateral Agent shall be entitled to reimbursement for its reasonable out-of-pocket expenses in connection with this Supplement in accordance with Section 10.04 of the Credit Agreement.

IN WITNESS WHEREOF, each Grantor signing below has duly executed this Supplement to the Intellectual Property Security Agreement as of the day and year first above written.

FREESCALE SEMICONDUCTOR, INC.,

By: _____
Name:
Title:

INTELLECTUAL PROPERTY

PATENT APPLICATIONS

PATENTS ISSUED

EXHIBIT 10.2

SUPPLEMENT NO. 1 dated as of June 5, 2008, to the Guaranty dated as of December 1, 2006, among FREESCALE SEMICONDUCTOR HOLDINGS V, INC. (formerly known as FREESCALE ACQUISITION HOLDINGS CORP.) ("Holdings"), FREESCALE SEMICONDUCTOR HOLDINGS III, LTD. (formerly known as FREESCALE HOLDINGS (BERMUDA) III, LTD.) ("Parent"), FREESCALE SEMICONDUCTOR HOLDINGS IV, LTD. (formerly known as FREESCALE HOLDINGS (BERMUDA) IV, LTD.) ("Foreign Holdings"), FREESCALE SEMICONDUCTOR HOLDINGS I, LTD. (formerly known as FREESCALE HOLDINGS (BERMUDA) I, LTD.) ("FH I"), FREESCALE SEMICONDUCTOR HOLDINGS II, LTD. (formerly known as FREESCALE HOLDINGS (BERMUDA) II, LTD.) ("FH II"), the Subsidiaries of Parent from time to time party hereto and CITIBANK, N.A., as Administrative Agent.

A. Reference is made to the Credit Agreement dated as of December 1, 2006 (as amended February 14, 2007 and as otherwise amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Freescale Semiconductor, Inc. (successor in interest to Freescale Acquisition Corporation) (the "Borrower"), Foreign Holdings, Holdings, Parent, Citibank, N.A., as Administrative Agent, Swing Line Lender and an L/C Issuer, and each lender from time to time party thereto (collectively, the "Lenders" and individually, a "Lender").

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement and the Guaranty referred to therein.

C. The Guarantors have entered into the Guaranty in order to induce the Lenders to make Loans and the L/C Issuers to issue Letters of Credit. Section 4.14 of the Guaranty provides that additional Restricted Subsidiaries of Parent may become Guarantors under the Guaranty by execution and delivery of an instrument in the form of this Supplement. The undersigned Restricted Subsidiary (the "New Subsidiary") is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Guarantor under the Guaranty in order to induce the Lenders to make additional Loans and the L/C Issuers to issue additional Letters of Credit and as consideration for Loans previously made and Letters of Credit previously issued.

Accordingly, the Administrative Agent and the New Subsidiary agree as follows:

SECTION 1. In accordance with Section 4.14 of the Guaranty, the New Subsidiary by its signature below becomes a Guarantor under the Guaranty with the same

force and effect as if originally named therein as a Guarantor and the New Subsidiary hereby (a) agrees to all the terms and provisions of the Guaranty applicable to it as a Guarantor thereunder and (b) represents and warrants that the representations and warranties made by it as a Guarantor thereunder are true and correct on and as of the date hereof. Each reference to a "Guarantor" in the Security Agreement shall be deemed to include the New Subsidiary. The Guaranty is hereby incorporated herein by reference.

SECTION 2. The New Subsidiary represents and warrants to the Administrative Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, except as such enforceability may be limited by Debtor Relief Laws and by general principles of equity.

SECTION 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Administrative Agent shall have received a counterpart of this Supplement that bears the signature of the New Subsidiary and the Administrative Agent has executed a counterpart hereof. Delivery of an executed signature page to this Supplement by facsimile transmission or other electronic communication shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. Except as expressly supplemented hereby, the Guaranty shall remain in full force and effect.

SECTION 5. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 6. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Guaranty shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7. All communications and notices hereunder shall be in writing and given as provided in Section 4.01 of the Guaranty.

SECTION 8. The New Subsidiary agrees to reimburse the Administrative Agent for its reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees, other charges and disbursements of counsel for the Administrative Agent.

IN WITNESS WHEREOF, the New Subsidiary and the Administrative Agent have duly executed this Supplement to the Guaranty as of the day and year first above written.

SIGMATEL, INC.,

By /s/ Daryl Raiford

Name: Daryl Raiford

Title: Chief Executive Officer, President & Chief Financial Officer

IN WITNESS WHEREOF, the New Subsidiary and the Administrative Agent have duly executed this Supplement to the Guaranty as of the day and year first above written.

CITIBANK, N.A.,
as Administrative Agent,

By /s/ Rob Ziemer
Name: Rob Ziemer
Title: Vice President

EXHIBIT 10.3

SUPPLEMENT NO. 1 dated as of June 5, 2008, to the Security Agreement dated as of December 1, 2006 (the "**Security Agreement**"), among FREESCALE SEMICONDUCTOR HOLDINGS V, INC. (formerly known as FREESCALE ACQUISITION HOLDINGS CORP.) ("**Holdings**"), FREESCALE SEMICONDUCTOR, INC. (formerly known as FREESCALE ACQUISITION CORPORATION) (the "**Borrower**"), FREESCALE SEMICONDUCTOR HOLDINGS IV, LTD. (formerly known as FREESCALE HOLDINGS (BERMUDA) IV, LTD.), a Bermuda exempted limited liability company ("**Foreign Holdings**"), the Subsidiaries of FREESCALE SEMICONDUCTOR HOLDINGS III, LTD. (formerly known as FREESCALE HOLDINGS (BERMUDA) III, LTD.) ("**Parent**") from time to time party thereto and CITIBANK, N.A., as Collateral Agent for the Secured Parties.

A. Reference is made to the Credit Agreement dated as of December 1, 2006 (as amended February 14, 2007 and as otherwise amended, supplemented or otherwise modified from time to time, the "**Credit Agreement**"), among the Borrower, Foreign Holdings, Holdings, Parent, CITIBANK, N.A., as Administrative Agent, Swing Line Lender and an L/C Issuer, and each lender from time to time party thereto (collectively, the "**Lenders**" and individually, a "**Lender**").

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement and the Security Agreement referred to therein.

C. The Grantors have entered into the Security Agreement in order to induce the Lenders to make Loans and the L/C Issuers to issue Letters of Credit. Section 6.14 of the Security Agreement provides that additional Restricted Subsidiaries of Parent may become Grantors under the Security Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Restricted Subsidiary (the "**New Subsidiary**") is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Grantor under the Security Agreement in order to induce the Lenders to make additional Loans and the L/C Issuers to issue additional Letters of Credit and as consideration for Loans previously made and Letters of Credit previously issued.

Accordingly, the Collateral Agent and the New Subsidiary agree as follows:

SECTION 1. In accordance with Section 6.14 of the Collateral Agreement, the New Subsidiary by its signature below becomes a Grantor under the Security Agreement with the same force and effect as if originally named therein as a Grantor and the New Subsidiary hereby (a) agrees to all the terms and provisions of the Security Agreement applicable to it as a Grantor thereunder and (b) represents and warrants that the representations and warranties made by it as a Grantor thereunder are

true and correct on and as of the date hereof. In furtherance of the foregoing, the New Subsidiary, as security for the payment and performance in full of the Obligations (as defined in the Security Agreement) does hereby create and grant to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, their successors and assigns, a security interest in and lien on all of the New Subsidiary's right, title and interest in and to the Collateral (as defined in the Security Agreement) of the New Subsidiary. Each reference to a "**Grantor**" in the Security Agreement shall be deemed to include the New Subsidiary. The Security Agreement is hereby incorporated herein by reference.

SECTION 2. The New Subsidiary represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, except as such enforceability may be limited by Debtor Relief Laws and by general principles of equity.

SECTION 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received a counterpart of this Supplement that bears the signature of the New Subsidiary, and the Collateral Agent has executed a counterpart hereof. Delivery of an executed signature page to this Supplement by facsimile transmission or other electronic communication shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. The New Subsidiary hereby represents and warrants that (a) set forth on Schedule I attached hereto is a true and correct schedule of the location of any and all Collateral of the New Subsidiary and (b) set forth under its signature hereto is the true and correct legal name of the New Subsidiary, its jurisdiction of formation and the location of its chief executive office.

SECTION 5. Except as expressly supplemented hereby, the Security Agreement shall remain in full force and effect.

SECTION 6. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 7. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Security Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8. All communications and notices hereunder shall be in writing and given as provided in Section 6.01 of the Security Agreement.

SECTION 9. The New Subsidiary agrees to reimburse the Collateral Agent for its reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees, other charges and disbursements of counsel for the Collateral Agent.

IN WITNESS WHEREOF, the New Subsidiary and the Collateral Agent have duly executed this Supplement to the Security Agreement as of the day and year first above written.

SIGMATEL, INC.

By: /s/ Daryl Raiford

Name: Daryl Raiford

Title: Chief Executive Officer, President & Chief Financial Officer

Jurisdiction of Formation: DELAWARE Address Of Chief Executive Office: 1601 S. MoPac Expressway, Suite 100 Austin, TX 78746

CITIBANK, N.A.,
as Collateral Agent

By: /s/ Rob Ziemer
Name: Rob Ziemer
Title: Vice President

FREESCALE HOLDINGS L.P.

AWARD AGREEMENT

THIS MANAGEMENT EQUITY AWARD AGREEMENT ("Agreement") is made effective as of April 7, 2008 (the "Date of Grant") by and between Freescale Holdings L.P., a Cayman Islands limited partnership (the "Partnership") and Richard Beyer (the "Executive").

R E C I T A L S:

WHEREAS, in connection with the Executive's Employment by the Company, the Partnership intends concurrently herewith to (i) allow the Executive to become a party to the LP Agreement and (ii) award to the Executive all of the Class B Interests – 2008 Series (the "Award"). Upon vesting in accordance with this Agreement, Unvested Interests shall automatically convert to Vested Interests for purposes of the LP Agreement and the Investors Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement, intending to be legally bound, agree as follows:

1. Defined Terms. Capitalized terms used herein and not otherwise defined herein shall have the meaning assigned to such terms in Exhibit A.

2. Award of Interests.

(a) Subject to the terms and conditions hereof and subject to the execution by the Executive of the LP Agreement and the Investors Agreement, the Partnership hereby allows the Executive to become a party to the LP Agreement as a Limited Partner having all of the Class B Interests – 2008 Series which will provide the Executive an interest in the Partnership entitling the Executive to distributions equal to 1.2472% of all distributions in excess of the Partnership 2008 Book Value (as defined in the LP Agreement) made by the Partnership and awards such Interests to the Executive, and the Executive accepts such Interests from the Partnership. No other Class B Interests – 2008 Series shall be granted to any person other than the Executive.

(b) In connection with the grant of the Class B Interests – 2008 Series hereunder, Executive represents and warrants to the Company as of the date hereof that:

(i) the Class B Interests – 2008 Series to be acquired by Executive pursuant to this Agreement will be acquired for Executive's own account and not with a view to, or intention of, distribution thereof in violation of the Securities Act, or any applicable state securities laws, and the Class B Interests – 2008 Series will not be disposed of in contravention of the Securities Act or any applicable state securities laws;

(ii) Executive is an executive officer of the Company, is sophisticated in financial matters and is able to evaluate the risks and benefits of the investment in the Class B Interests – 2008 Series;

(iii) Executive is an "accredited investor" within the meaning of Rule 501 of Regulation D of the Securities and Exchange Commission;

(iv) Executive is able to bear the economic risk of Executive's investment in the Class B Interests – 2008 Series for an indefinite period of time because the Class B Interests – 2008 Series have not been registered under the Securities Act or applicable state securities laws and are subject to substantial restrictions on transfer set forth herein, and, therefore, cannot be sold unless subsequently registered under the Securities Act and applicable state securities laws, or an exemption from such registration is available, and in compliance with such restrictions on transfer;

(v) Executive has had an opportunity to ask questions and receive answers concerning the terms and conditions of the offering of Class B Interests – 2008 Series and has had full access to such other information concerning the Company as he has requested;

(vi) this Agreement constitutes the legal, valid and binding obligation of Executive, enforceable in accordance with its terms.

3. Vesting Schedule.

(a) General. Subject to the Executive's continued Employment or as otherwise provided in Section 4 below, the Award shall vest with respect to twenty-five percent (25%) of the Interests initially covered by the Award on each of the first, second, third and fourth anniversaries of the Effective Date.

(b) Change of Control. Notwithstanding any other provisions of this Agreement to the contrary, in the event of a Change of Control, all Unvested Interests shall become Vested Interests.

4. Termination of Employment.

(a) General. If the Executive's Employment is terminated for any reason, any Unvested Interests shall (after giving effect to the provisions of Section 3(b) and this Section 4) terminate upon such termination of Employment.

(b) For Cause. The Award (including any Vested Interests and Unvested Interests) shall terminate upon the Executive's termination of Employment for Cause.

(c) Without Cause or for Good Reason. Upon the Executive's termination of Employment by the Company without Cause or by the Executive for Good Reason, a number of

Interests equal to the number of Interests subject to the Award (if any) that would have become Vested Interests on the next anniversary of the Effective Date if the Executive had remained employed until such date (the "Subsequent Tranche"), multiplied by a fraction, the numerator of which equals the number of days elapsed from the vesting date immediately preceding termination of the Executive's Employment through the Executive's termination of Employment and the denominator of which equals 365, shall become Vested Interests, plus the Subsequent Tranche; subject in all circumstances to the maximum of the total number of Interests subject to the Award as of the date of such termination of Employment. Any Interests that remain Unvested Interests after giving effect to the above provisions of this Section 4(c) shall terminate immediately effective as of the termination of the Executive's Employment.

(d) Death. Upon the Executive's termination of Employment due to death, a number of Interests equal to the Subsequent Tranche multiplied by a fraction, the numerator of which equals the number of days elapsed from the vesting date immediately preceding termination of the Executive's Employment through the Executive's termination of Employment and the denominator of which equals 365, shall become Vested Interests, plus, a number of Class B Interests – 2008 Series equal to two Subsequent Tranches shall become Vested Interests; subject in all circumstances to the maximum of the total number of Interests subject to the Award as of the date of such termination of Employment. Any Interests that remain Unvested Interests after giving effect to the above provisions of this Section 4(d) shall terminate immediately effective as of the termination of the Executive's Employment.

(e) Disability. Upon the Executive's termination of Employment due to Disability, all Interests subject the Award shall become Vested Interests.

(f) Retirement. Upon the Executive's termination of Employment due to Retirement, and solely to the extent so determined by the Board, a number of Interests equal to the Subsequent Tranche multiplied by a fraction, the numerator of which equals the number of days elapsed from the vesting date immediately preceding termination of the Executive's Employment through the Executive's termination of Employment and the denominator of which equals 365, shall become Vested Interests; subject in all circumstances to the maximum of the total number of Interests subject to the Award as of the date of such termination of Employment. Any Interests that remain Unvested Interests after giving effect to the above provisions of this Section 4(f) shall terminate immediately effective as of the termination of the Executive's Employment.

(g) By the Executive Other Than Due to Disability or Good Reason. Upon the Executive's termination of Employment on account of a termination initiated by the Executive other than due to Disability or Good Reason, any Interests that remain Unvested Interests shall terminate immediately effective as of the termination of the Executive's Employment.

(h) Forfeiture. Notwithstanding anything herein to the contrary, the Vested Interests shall be subject to the forfeiture provisions set forth in Section 6.4 of the Investors Agreement.

5. Certain Covenants. The Executive hereby agrees and covenants to perform all of his obligations set forth in Exhibit B hereto (which is incorporated by reference hereby) and acknowledges that the Executive's obligations set forth in Exhibit B constitute a material inducement for the Partnership's grant of the Award to the Executive.

6. Restrictions, Etc. The Executive's rights hereunder and with respect to Vested Interests and Unvested Interests are subject to the restrictions and other provisions contained in the Investors Agreement and the LP Agreement.

7. Adjustments. In the event of any change in the outstanding Interests after the Date of Grant by reason of any reorganization, recapitalization, merger, consolidation, spin off, combination or transaction or exchange of Interests or other exchange or any transaction similar to the foregoing, the Board in its sole discretion and without liability to any person shall make such substitution or adjustment, if any, as it deems to be equitable, as to (i) the number or kind of Interests or other securities issued pursuant to the Award and/or (ii) any other affected terms of such Award.

8. Certificates. All certificates, if any, evidencing Interests or other securities of the Company delivered under the Agreement shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Agreement or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such securities are then listed, and any applicable Federal or state laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

9. Withholding. The Executive may be required to pay to the Company and the Company shall have the right and is hereby authorized to withhold from any payment due or transfer made under the Award or from any compensation or other amount owing to the Executive the amount (in cash, securities, or other property) of any applicable withholding taxes in respect of the Award or any payment or transfer under the Award and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

10. No Right to Continued Employment. The granting of the Award evidenced hereby and this Agreement shall impose no obligation on the Company to continue the Employment of the Executive and shall not lessen or affect the Company's right to terminate the Employment of such Executive.

11. Notices. Any notice necessary under this Agreement shall be addressed to the Partnership in care of its Secretary at the principal executive office of the Partnership and to the Executive at the address appearing in the personnel records of the Company for the Executive or to either party at such other address as either party hereto may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

12. Governing Law. This Agreement and all claims arising out of or based upon this Agreement or relating to the subject matter hereof shall be governed by and construed in accordance with the domestic substantive laws of the State of Delaware without giving effect to any choice or conflict of laws provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction.

13. Consent to Jurisdiction. All actions arising out of or relating to this Agreement shall be heard and determined exclusively in any New York state or federal court sitting in the Borough of Manhattan in The City of New York. The parties hereto hereby (a) submit to the exclusive jurisdiction of any state or federal court sitting in the Borough of Manhattan of The City of New York for the purpose of any action arising out of or relating to this Agreement brought by any party hereto, and (b) irrevocably waive, and agree not to assert by way of motion, defense, or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune of from attachment or execution, that the action is brought in an inconvenient forum, that the venue of the action is improper, or that this Agreement or the transactions contemplated hereby may not be enforced in or by any of the above-named courts.

14. WAIVER OF JURY TRIAL. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW WHICH CANNOT BE WAIVED, EACH PARTY HERETO HEREBY WAIVES AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE OR ACTION, CLAIM, CAUSE OF ACTION OR SUIT (IN CONTRACT, TORT OR OTHERWISE), INQUIRY, PROCEEDING OR INVESTIGATION ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE SUBJECT MATTER HEREOF OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE TRANSACTIONS CONTEMPLATED HEREBY, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING. EACH PARTY HERETO ACKNOWLEDGES THAT IT HAS BEEN INFORMED BY THE OTHER PARTIES HERETO THAT THIS SECTION 14 CONSTITUTES A MATERIAL INDUCEMENT UPON WHICH THEY ARE RELYING AND WILL RELY IN ENTERING

INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY. ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 14 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF EACH SUCH PARTY TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

15. TAX ISSUES. THE ISSUANCE OF THE SUBJECT INTERESTS TO THE EXECUTIVE PURSUANT TO THIS AGREEMENT INVOLVES COMPLEX AND SUBSTANTIAL TAX CONSIDERATIONS, INCLUDING, WITHOUT LIMITATION, CONSIDERATION OF THE ADVISABILITY OF THE EXECUTIVE MAKING AN ELECTION UNDER SECTION 83(B) OF THE CODE. THE EXECUTIVE ACKNOWLEDGES THAT HE HAS CONSULTED HIS OWN TAX ADVISOR WITH RESPECT TO THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT. **THE COMPANY MAKES NO WARRANTIES OR REPRESENTATIONS WHATSOEVER TO THE EXECUTIVE REGARDING THE TAX CONSEQUENCES OF THE GRANT OF THE INTERESTS SUBJECT TO THE AWARD OR THIS AGREEMENT**. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT THE EXECUTIVE SHALL BE SOLELY RESPONSIBLE FOR ANY TAXES ON THE SUBJECT INTERESTS AND SHALL HOLD THE COMPANY, ITS OFFICERS, DIRECTORS AND EMPLOYEES HARMLESS FROM ANY LIABILITY ARISING FROM ANY TAXES INCURRED BY THE EXECUTIVE IN CONNECTION WITH THE INTERESTS SUBJECT TO THE AWARD AND THIS AGREEMENT.

16. Award Subject to Investors Agreement, LP Agreement and Registration Rights Agreement. By entering into this Agreement the Executive agrees and acknowledges that the Executive has received a copy of the Investors Agreement and the LP Agreement. The Award is subject to the Investors Agreement and the LP Agreement, each as may be amended from time to time, and the terms and provisions of the Investors Agreement and the LP Agreement are hereby incorporated herein by reference.

17. Waivers and Amendments. The respective rights and obligations of the Partnership and the Executive under this Agreement may be waived (either generally or in a particular instance, either retroactively or prospectively, and either for a specified period of time or indefinitely) by such respective party. This Agreement may be amended only with the written consent of a duly authorized representative of the Partnership and the Executive.

18. Successors and Assigns. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto.

19. Section 409A. It is intended that the terms of this Agreement comply with section 409A of the Code. If it is determined that the terms of this Agreement have been structured in a manner that would result in adverse tax treatment under Section 409A of the Code, the parties agree to cooperate in taking all reasonable measures to restructure the arrangement to minimize or avoid such adverse tax treatment without materially impairing Executive's economic rights.

20. Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

21. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the Partnership and the Executive have executed this Agreement.

Freescale Holdings L.P.

By: Freescale Holdings GP Ltd.,
its general partner

By: /s/ Paul C. Schorr, IV
Name: Paul C. Schorr, IV
Title: Director

Agreed and acknowledged as of the date first above written:

EXECUTIVE:

/s/ Richard Beyer

Exhibit A – Definitions

"Affiliate" shall have the meaning assigned such term in the Investors Agreement.

"Board" shall mean the Board of Directors of the General Partner.

"Cause" shall have the meaning assigned such term in the Investors Agreement.

"Change of Control" shall mean any of the following: (i) a Change of Control within the meaning of the Investors Agreement; (ii) directly or indirectly a sale, transfer or other conveyance of all or substantially all of the assets of Freescale Semiconductor, Inc. ("Freescale"), on a consolidated basis, to any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable), as an entirety or substantially as an entirety in one transaction or series of related transactions; (iii) any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable), other than one or more Qualified Institutional Investors, is or becomes the "beneficial owner" (as that term is used in Rules 13d-3 and 13d-5 under the Exchange Act, whether or not applicable), directly or indirectly, of more than 50% of the total voting power of all Voting Stock then outstanding of Freescale, provided that for so long as (x) the Partnership and its subsidiaries own more than 50% of the total voting power of all Voting Stock of Freescale and (y) one or more Qualified Institutional Investors own more than 50% of the total voting power of all Voting Stock of the general partner of the Partnership, such Qualified Institutional Investors will be deemed to beneficially own the Freescale Voting Stock owned by the Partnership and its subsidiaries; or (iv) during any period of 24-consecutive months, individuals who at the beginning of such period constituted the board of directors of Freescale (together with any new directors whose election by such board of directors or whose nomination for election by the stockholders of Freescale was approved by a vote of a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the board of directors of Freescale then in office.

"Class B Interest – 2008 Series" shall have the meaning assigned such term in the LP Agreement.

"Code" shall mean the U.S. Internal Revenue Code of 1986 as from time to time amended and in effect, or any successor statute as from time to time in effect.

"Committee" shall mean the Board or any person or persons designated by the Board to administer the Agreement.

"Company" shall mean the Partnership and its Affiliates.

"Disability" shall have the meaning assigned such term in the Employment Agreement.

"Effective Date" shall have the meaning assigned to such term in the Employment Agreement.

"Employment" shall mean the Executive's employment or other service relationship (including service as a member of the Board of Directors) with the Company. If the Executive's relationship is with an Affiliate and that entity ceases to be an Affiliate, the Executive will be deemed to cease Employment when the entity ceases to be an Affiliate unless the Executive transfers Employment to the Company or its remaining Affiliates.

"Employment Agreement" shall mean the employment agreement between the Company and the Executive to which this Agreement is an annex.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"General Partner" shall mean Freescale Holdings GP Ltd., a Cayman Islands exempted company limited by shares.

"Good Reason" shall have the meaning assigned such term in the Investors Agreement.

"Interest" shall mean the "Class B Interests – 2008 Series" as defined in the LP Agreement.

"Investors Agreement" means the Investors Agreement by and among the Partnership, Freescale Holdings (Bermuda) I, Ltd., Freescale Holdings (Bermuda) II, Ltd., Freescale Holdings (Bermuda) III, Ltd., Freescale Holdings (Bermuda) IV, Ltd., Freescale Acquisition Holdings Corp., Freescale Acquisition Corporation and Certain Freescale Holdings L.P. Investors and certain stockholders of Freescale Holdings (Bermuda) I, Ltd. dated as of December 1, 2006.

"Limited Partner" shall have the meaning assigned such term in the LP Agreement.

"LP Agreement" shall mean the Amended and Restated Agreement of Exempted Limited Partnership of the Partnership, dated as of February 11, 2008, as amended from time to time.

"Qualified Institutional Investors" shall have the meaning assigned to such term in the Investors Agreement.

"Registration Rights Agreement" shall mean that certain Registration Rights Agreement, dated as of December 1, 2006 by and among the Company and certain other parties.

"Restrictive Covenants" shall have the meaning assigned to such term in the Investors Agreement.

"Retirement" shall mean the Executive's voluntary termination of Employment other than for Cause after the date on which the Executive has reached the age of 55 and has a total of at least five years combined and continuous employment with the Company.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Unvested Interests" shall have the meaning assigned to such term in the Investors Agreement.

"Vested Interests" shall have the meaning assigned to such term in the Investors Agreement.

"Voting Stock" shall mean all classes of capital stock or shares then outstanding and normally entitled to vote in elections of directors.

Exhibit B – Restrictive Covenants

(a) Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Company and its Affiliates (collectively, the "**Affiliated Group**"), all secret or confidential information, knowledge or data relating to the Affiliated Group and its businesses (including, without limitation, any proprietary and not publicly available information concerning any processes, methods, trade secrets, research or secret data, costs, names of users or purchasers of their respective products or services, business methods, operating procedures or programs or methods of promotion and sale) that the Executive obtains during the Executive's Employment that is not public knowledge (other than as a result of the Executive's violation of this Section (a)) ("**Confidential Information**"). The Executive shall not communicate, divulge or disseminate Confidential Information at any time during or after the Executive's Employment, except with the prior written consent of the Company, or as otherwise required by law or legal process or as such disclosure or use may be required in the course of the Executive performing his duties and responsibilities with the Affiliated Group. Notwithstanding the foregoing provisions, if the Executive is required to disclose any such confidential or proprietary information pursuant to applicable law or a subpoena or court order, the Executive shall promptly notify the Company in writing of any such requirement so that the Company or the appropriate member of the Affiliated Group may seek an appropriate protective order or other appropriate remedy or waive compliance with the provisions hereof. The Executive shall reasonably cooperate with the Company or the appropriate member of the Affiliated Group to obtain such a protective order or other remedy. If such order or other remedy is not obtained prior to the time the Executive is required to make the disclosure, or the Company waives compliance with the provisions hereof, the Executive shall disclose only that portion of the confidential or proprietary information which he is advised by counsel in writing (either his or the Company's) that he is legally required to so disclose. Upon his termination of Employment for any reason, the Executive shall promptly return to the Company all records, files, memoranda, correspondence, notebooks, notes, reports, customer lists, drawings, plans, documents, and other documents and the like relating to the business of the Affiliated Group or containing any trade secrets relating to the Affiliated Group or that the Executive uses, prepares or comes into contact with during the course of the Executive's employment with the Affiliated Group, and all keys, credit cards and passes, and such materials shall remain the sole property of the Affiliated Group. The Executive agrees to execute any standard-form confidentiality agreements with the Company that the Company in the future generally enters into with its senior executives.

(b) Work Product and Inventions. The Affiliated Group and/or its nominees or assigns shall own all right, title and interest in and to any and all inventions, ideas, trade secrets, technology, devices, discoveries, improvements, processes, developments, designs, know how, show-how, data, computer programs,

algorithms, formulae, works of authorship, works modifications, trademarks, trade names, documentation, techniques, designs, methods, trade secrets, technical specifications, technical data, concepts, expressions, patents, patent rights, copyrights, moral rights, and all other intellectual property rights or other developments whatsoever (collectively, "**Developments**"), whether or not patentable, reduced to practice or registrable under patent, copyright, trademark or other intellectual property law anywhere in the world, made, authored, discovered, reduced to practice, conceived, created, developed or otherwise obtained by the Executive (alone or jointly with others) during the Executive's Employment with the Affiliated Group, and arising from or relating to such employment or the business of the Affiliated Group (whether during business hours or otherwise, and whether on the premises of using the facilities or materials of the Affiliated Group or otherwise). The Executive shall promptly and fully disclose to the Affiliated Group and to no one else all Developments, and hereby assigns to the Affiliated Group without further compensation all right, title and interest the Executive has or may have in any Developments, and all patents, copyrights, or other intellectual property rights relating thereto, and agrees that the Executive has not acquired and shall not acquire any rights during the course of his employment with the Affiliated Group or thereafter with respect to any Developments.

(c) Non-Recruitment of Affiliated Group Employees. The Executive shall not, at any time during the Nonsolicitation Restricted Period (as defined below), other than in the ordinary exercise of his duties, without the prior written consent of the Affiliated Group, directly or indirectly, solicit, recruit, or employ (whether as an employee, officer, agent, consultant or independent contractor) any person who is or was at any time during the previous 12 months, an employee, representative, officer or director of any member of the Affiliated Group. Further, during the Nonsolicitation Restricted Period, the Executive shall not take any action that could reasonably be expected to have the effect of directly encouraging or inducing any person to cease their relationship with any member of the Affiliated Group for any reason. A general employment advertisement by an entity of which the Executive is a part will not constitute solicitation or recruitment. The "**Nonsolicitation Restricted Period**" shall mean the period from the Date of Grant through the second anniversary of the Executive's termination of Employment.

(d) Non-Competition – Solicitation of Business. During the Noncompetition Restricted Period (as defined below), the Executive shall not, either directly or indirectly, compete with the business of the Affiliated Group by (i) becoming an officer, agent, employee, partner or director of any other corporation, partnership or other entity, or otherwise render services to or assist or hold an interest (except as a less than 3-percent shareholder of a publicly traded corporation or as a less than 5-percent shareholder of a corporation that is not publicly traded) in any Competitive Business (as defined below), or (ii) soliciting, servicing, or accepting the business of (A) any active customer of any member of the Affiliated Group, or

(B) any person or entity who is or was at any time during the previous twelve months a customer of any member of the Affiliated Group, provided that such business is competitive with any significant business of any member of the Affiliated Group. "**Competitive Business**" shall mean any person or entity (including any joint venture, partnership, firm, corporation, or limited liability company) that conducts a business that is competitive with any significant business of the Affiliated Group as of the date of termination (or any significant business that is being actively pursued as of the date of termination by the Affiliated Group). The "**Noncompetition Restricted Period**" shall mean the period from the Date of Grant through the second anniversary of the date of termination of the Executive's Employment.

(e) Assistance. The Executive agrees that during and after his employment by the Affiliated Group, upon request by the Company, the Executive will assist the Affiliated Group in the defense of any claims, or potential claims that may be made or threatened to be made against any member of the Affiliated Group in any action, suit or proceeding, whether civil, criminal, administrative, investigative or otherwise (a "**Proceeding**"), and will assist the Affiliated Group in the prosecution of any claims that may be made by any member of the Affiliated Group in any Proceeding, to the extent that such claims may relate to the Executive's Employment or the period of the Executive's Employment by the Affiliated Group. The Executive agrees, unless precluded by law, to promptly inform the Company if the Executive is asked to participate (or otherwise become involved) in any Proceeding involving such claims or potential claims. The Executive also agrees, unless precluded by law, to promptly inform the Company if the Executive is asked to assist in any investigation (whether governmental or otherwise) of any member of the Affiliated Group (or their actions), regardless of whether a lawsuit has then been filed against any member of the Affiliated Group with respect to such investigation. The Company agrees to reimburse the Executive for all of the Executive's reasonable out-of-pocket expenses associated with such assistance, including travel expenses and any attorneys' fees and shall pay a reasonable per diem fee for the Executive's service. In addition, the Executive agrees to provide such services as are reasonably requested by the Company to assist any successor to the Executive in the transition of duties and responsibilities to such successor. Any services or assistance contemplated in this Section (e) shall be at mutually agreed to and convenient times.

(f) Remedies. The Executive acknowledges and agrees that the terms of this Exhibit B: (i) are reasonable in geographic and temporal scope, (ii) are necessary to protect legitimate proprietary and business interests of the Affiliated Group in, inter alia, near permanent customer relationships and confidential information. The Executive further acknowledges and agrees that the Executive's breach of the provisions of this Exhibit B will cause the Affiliated Group irreparable harm, which cannot be adequately compensated by money damages. The Executive consents and agrees that the forfeiture provisions contained in the Agreement and the Investors Agreement are reasonable remedies in the event the Executive

commits any such breach. If any of the provisions of this Exhibit B are determined to be wholly or partially unenforceable, the Executive hereby agrees that Exhibit B or any provision hereof may be reformed so that it is enforceable to the maximum extent permitted by law. If any of the provisions of this Exhibit B are determined to be wholly or partially unenforceable in any jurisdiction, such determination shall not be a bar to or in any way diminish the Affiliated Group's right to enforce any such covenant in any other jurisdiction.

FREESCALE SEMICONDUCTOR HOLDINGS I, LTD.

RESTRICTED STOCK UNIT AWARD AGREEMENT

THIS AGREEMENT (the "Agreement"), is made effective as of April 7, 2008 (the "Date of Grant"), between Freescale Semiconductor Holdings I, Ltd., a Bermuda exempted limited liability company (the "Company"), and Richard Beyer (the "Executive"):

R E C I T A L S:

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its shareholders to grant the Restricted Stock Units provided for herein to the Executive pursuant to the terms set forth herein.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties agree as follows:

1. Defined Terms. Capitalized terms used herein and not otherwise defined herein shall have the meaning assigned to such terms in Exhibit A.

2. Grant of Restricted Stock Units.

(a) The Company hereby grants (subject to the Executive's execution of the Investors Agreement) to the Executive, on the terms and conditions hereinafter set forth, units evidencing a right to receive 2,100,840 shares of Common Stock (each a "Share" and collectively, the "Shares") pursuant to the terms and conditions of this Agreement (the "Restricted Stock Units" or "Restricted Stock Unit Award").

(b) In connection with the grant of the Restricted Stock Units hereunder, Executive represents and warrants to the Company as of the date hereof that:

(i) the Restricted Stock Units to be acquired by Executive pursuant to this Agreement will be acquired for Executive's own account and not with a view to, or intention of, distribution thereof in violation of the Securities Act, or any applicable state securities laws, and the Restricted Stock Units will not be disposed of in contravention of the Securities Act or any applicable state securities laws;

(ii) Executive is an executive officer of the Company, is sophisticated in financial matters and is able to evaluate the risks and benefits of the investment in the Restricted Stock Units;

(iii) Executive is an "accredited investor" within the meaning of Rule 501 of Regulation D of the Securities and Exchange Commission;

(iv) Executive is able to bear the economic risk of Executive's investment in the Restricted Stock Units for an indefinite period of time because the Restricted Stock Units have not been registered under the Securities Act or applicable state securities laws and are subject to substantial restrictions on transfer set forth herein, and, therefore, cannot be sold unless subsequently registered under the Securities Act and applicable state securities laws, or an exemption from such registration is available, and in compliance with such restrictions on transfer;

(v) Executive has had an opportunity to ask questions and receive answers concerning the terms and conditions of the offering of Restricted Stock Units and has had full access to such other information concerning the Company as he has requested;

(vi) this Agreement constitutes the legal, valid and binding obligation of Executive, enforceable in accordance with its terms.

3. Restrictions and Vesting Period.

(a) Restrictions and Transferability. Except as provided in the Investors Agreement, the Restricted Stock Unit Award may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Executive otherwise than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. No such permitted transfer of the Restricted Stock Unit Award to heirs or legatees of the Executive shall be effective to bind the Company unless the Committee shall have been furnished with written notice thereof and a copy of such evidence as the Committee may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions hereof.

(b) Vesting Period. Subject to the Executive's continued Employment, or except as otherwise provided below, the Restricted Stock Unit Award shall vest with respect to thirty-three and one-third percent (33 1/3 %) of the Shares covered by the Restricted Stock Unit Award on each of the first, second and third anniversaries of the Effective Date. At any time, the portion of the Restricted Stock Unit Award which has become vested as described above (or pursuant to Sections 3(c) or 4 below) is hereinafter referred to as the "Vested Portion".

(c) Accelerated Vesting upon a Change of Control. Notwithstanding any other provisions of this Agreement to the contrary, in the event of a Change of Control, the unvested portion of the Restricted Stock Unit Award shall become fully vested.

(d) Delivery of Shares. Shares of Common Stock shall become deliverable (provided, that such delivery is otherwise in accordance with federal and state securities laws) with respect to the Vested Portion of the Restricted Stock Unit Award upon the earliest to occur of: (i) the Executive's termination of Employment; (ii) the Executive's death; (iii) the Executive's Disability; (iv) a Change of Control; or (v) the fifth anniversary of the Effective Date.

(e) No Stockholder Rights. Executive shall have no rights of a stockholder of the Company with respect to the Restricted Stock Units, including, but not limited to, the rights to vote and receive ordinary dividends, until the date of issuance of a stock certificate for such Shares. In the event that the Committee approves an adjustment to the Restricted Stock Unit Award pursuant to Section 16, then in such event, any and all new, substituted or additional securities to which Executive is entitled by reason of the Restricted Stock Unit Award shall be immediately subject to the Restrictions and Vesting Period set forth in Sections 3(a) and (b) above with the same force and effect as the Restricted Stock Unit Award subject to such Restrictions immediately before such event.

4. Termination of Employment.

(a) General. If the Executive's Employment is terminated for any reason, the Restricted Stock Unit Award shall, to the extent not then vested (after giving effect to the provisions of Section 3(c) and this Section 4), terminate upon such termination of Employment.

(b) For Cause. The Restricted Stock Unit Award (including any Vested Portion thereof) shall terminate upon the Executive's termination of Employment for Cause.

(c) Without Cause or for Good Reason. Upon the Executive's termination of Employment without Cause or by the Executive for Good Reason, the Restricted Stock Unit Award shall become vested for an additional number of Shares equal to the number of Shares subject to the Restricted Stock Unit Award (if any) that would have vested on the next anniversary of the Effective Date if the Executive had remained employed until such date (the "Subsequent Tranche"), multiplied by a fraction, the numerator of which equals the number of days elapsed from the vesting date immediately preceding termination of the Executive's Employment through the Executive's termination of Employment and the denominator of which equals 365, plus the Subsequent Tranche; subject in all circumstances to the maximum of the total number of Shares subject to the Restricted Stock Unit Award as of the date of such termination of Employment. Any portion of the Restricted Stock Unit Award that is not vested after giving effect to the above provisions of this Section 4(c) shall terminate immediately effective as of the termination of the Executive's Employment.

(d) Death. Upon the Executive's termination of Employment due to death, the Restricted Stock Unit Award shall become fully vested.

(e) Disability. Upon the Executive's termination of Employment due to Disability, the Restricted Stock Unit Award shall become fully vested.

(f) Retirement. Upon the Executive's termination of Employment due to Retirement and solely to the extent so determined by the Board, the Restricted Stock Unit Award shall become vested for an additional number of Shares equal to the Subsequent Tranche multiplied by a fraction, the numerator of which equals the number of days elapsed from the vesting date immediately preceding termination of Executive's Employment through the Executive's termination of Employment and the denominator of which equals 365; subject in all circumstances to the maximum of the total number of Shares subject to the Restricted Stock Unit Award as of the date of such termination of Employment. Any portion of the Restricted Stock Unit Award that is not vested after giving effect to the above provisions of this Section 4(f) shall terminate immediately effective as of the termination of the Executive's Employment.

(g) By the Executive Other Than Due to Disability or Good Reason. If the Executive's Employment is terminated on account of a termination of the Executive's Employment initiated by the Executive other than due to Disability or Good Reason, then the unvested portion of the Restricted Stock Unit Award then held by the Executive shall be automatically forfeited.

(h) Forfeiture. Notwithstanding anything herein to the contrary, if the Executive breaches any Restrictive Covenants applicable to the Executive (including, without limitation, the Restrictive Covenants set forth in Exhibit B hereto) following Executive's voluntary termination of Employment without Good Reason or during the Severance Period (as defined below) then (x) any Vested Portion then held by the Executive shall be automatically forfeited, (y) any Shares acquired pursuant to the Restricted Stock Unit Award shall be automatically forfeited and (z) any proceeds from the sale of Shares described in preceding clause (y), shall be immediately repaid to the Company. For purposes of this Agreement "Severance Period" shall mean, in the event of termination of the Executive's Employment in circumstances entitling the Executive to severance under an applicable plan or policy or an individual agreement, and under which plan, policy or individual agreement the Executive elects to and actually receives severance, the two-year period immediately following the date of such termination.

(i) Six-Month Waiting Period for Distributions Upon Separation From Service. To the extent required by Section 409A of the Code, any payment of Shares that would otherwise be payable under this Agreement during the six-month period immediately following the Executive's termination of Employment, shall instead be paid on the first business day after the expiration of such six-month period, plus interest thereon, at a rate equal to the applicable Federal short-term rate (as defined in Section 1274(d) of the Code) for the month in which such date of termination occurs from the respective dates on which such amounts would otherwise have been paid until the actual date of payment. In no event will any payment of shares be made hereunder, unless the relevant termination of Employment constitutes a "separation from service" under Section 409A.

5. Certain Covenants. The Executive hereby agrees and covenants to perform all of his obligations set forth in Exhibit B hereto (which is incorporated by reference hereby) and acknowledges that the Executive's obligations set forth in Exhibit B constitute a material inducement for the Company's grant of the Restricted Stock Unit Award *t*o the Executive.

6. Share Restrictions, Etc. Except as expressly provided herein, the Executive's rights hereunder and with respect to Shares received with respect to the Vested Portion are subject to the restrictions and other provisions contained in the Investors Agreement.

7. No Right to Continued Employment. The granting of the Restricted Stock Unit Award evidenced hereby and this Agreement shall impose no obligation on the Company or any Affiliate to continue the Employment of the Executive and shall not lessen or affect the Company's or its Affiliate's right to terminate the Employment of such Executive.

8. Legend on Certificates. The certificates representing the Shares received by Executive with respect to the Vested Portion shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Agreement or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable Federal or state laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

9. Withholding. The Executive may be required to pay to the Company or any Affiliate and the Company shall have the right and is hereby authorized to withhold from any payment due or transfer made under the Restricted Stock Unit Award or from any compensation or other amount owing to a Executive the amount (in cash, Shares, other securities or other property) of any applicable withholding taxes in respect of the Restricted Stock Unit Award or any payment or transfer under or with respect to the Restricted Stock Unit Award and to take such other action as may be necessary in the opinion of the Committee to satisfy all obligations for the payment of such withholding taxes.

10. Securities Laws. The issuance of any Shares hereunder shall be subject to the Executive making or entering into such written representations, warranties and agreements as the Committee may reasonably request in order to comply with applicable securities laws.

11. Notices. Any notice necessary under this Agreement shall be addressed to the Company in care of its Secretary at the principal executive office of the Company and to the Executive at the address appearing in the personnel records of the Company for the Executive or to either party at such other address as either party hereto may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

12. Governing Law. This Agreement and all claims arising out of or based upon this Agreement or relating to the subject matter hereof shall be governed by and construed in accordance with the domestic substantive laws of the State of Delaware without giving effect to any choice or conflict of laws provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction.

13. Consent to Jurisdiction. All actions arising out of or relating to this Agreement shall be heard and determined exclusively in any New York state or federal court sitting in the Borough of Manhattan in The City of New York. The parties hereto hereby (a) submit to the exclusive jurisdiction of any state or federal court sitting in the Borough of Manhattan of The City of New York for the purpose of any action arising out of or relating to this Agreement brought by any party hereto, and (b) irrevocably waive, and agree not to assert by way of motion, defense, or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune of from attachment or execution, that the action is brought in an inconvenient forum, that the venue of the action is improper, or that this Agreement or the transactions contemplated hereby may not be enforced in or by any of the above-named courts.

14. WAIVER OF JURY TRIAL. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW WHICH CANNOT BE WAIVED, EACH PARTY HERETO HEREBY WAIVES AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE OR ACTION, CLAIM, CAUSE OF ACTION OR SUIT (IN CONTRACT, TORT OR OTHERWISE), INQUIRY, PROCEEDING OR INVESTIGATION ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE SUBJECT MATTER HEREOF OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE TRANSACTIONS CONTEMPLATED HEREBY, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING. EACH PARTY HERETO ACKNOWLEDGES THAT IT HAS BEEN INFORMED BY THE OTHER PARTIES HERETO THAT THIS SECTION 14 CONSTITUTES A MATERIAL INDUCEMENT UPON WHICH THEY ARE RELYING AND WILL RELY IN ENTERING INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY. ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 14 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF EACH SUCH PARTY TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

15. Restricted Stock Unit Award Subject to Investors Agreement. By entering into this Agreement the Executive agrees and acknowledges that the Executive has received a copy of the Investors Agreement. The Restricted Stock Unit Award is subject to the Investors Agreement, each as may be amended from time to time, and the terms and provisions of the Investors Agreement are hereby incorporated herein by reference.

16. Changes In, Distributions With Respect to and Redemptions of Common Stock.

(a) Basic Adjustment Provisions. In the event of any stock dividend or other similar distribution (whether in the form of stock or other securities or other property), stock split or combination of shares (including a reverse stock split), recapitalization, conversion, reorganization, consolidation, split-up, spin-off, combination, merger, exchange of stock, redemption or repurchase of all or part of the shares of any class of stock or any change in the capital structure of the Company or an Affiliate or other transaction or event, the Committee will, as appropriate in order to prevent enlargement or dilution of benefits intended to be made available under the Agreement, make adjustments to the maximum number of shares of Common Stock that may be delivered under the Agreement and will also make appropriate adjustments to the number and kind of shares of stock, securities or other property (including cash) subject to the Restricted Stock Unit Award and any other provision of the Restricted Stock Unit Award affected by such change.

(b) Certain Other Adjustments. The Committee will also make adjustments of the type described in paragraph (a) above to take into account distributions to stockholders or any other event, if the Committee determines that adjustments are appropriate to preserve the value of the Restricted Stock Unit Award.

(c) Continuing Application of Agreement Terms. References in the Agreement to shares of Common Stock will be construed to include any stock or securities resulting from an adjustment pursuant to this Section 16.

17. Legal Conditions on Delivery of Common Stock. The Company shall ensure, prior to delivering shares of Common Stock pursuant to the Agreement or removing any restriction from shares of Common Stock previously delivered under the Agreement, that (a) all legal matters in connection with the issuance and delivery of such shares have been addressed and resolved, and (b) if the outstanding Common Stock is at the time of delivery listed on any stock exchange or national market system, the shares to be delivered have been listed or authorized to be listed on such exchange or system upon official notice of issuance. The Company and its Affiliates will be obligated to deliver any shares of Common Stock pursuant to the Agreement or to remove any restriction from shares of Common Stock previously delivered under the Agreement upon satisfaction or waiver of the conditions set forth in the preceding sentence and all other conditions of the Award Agreement. If the sale of Common Stock has not been registered under the Securities Act, as amended, the Company may require, as a condition to the Restricted Stock Unit Award, such representations or agreements as counsel for the Company may in good faith recommend to avoid violation of such Act.

18. Section 409A. It is intended that the terms of this Agreement comply with Section 409A of the Code. If it is determined that the terms of this Agreement have been structured in a manner that would result in adverse tax treatment under Section 409A of the Code, the parties agree to cooperate in taking all reasonable measures to restructure the arrangement to minimize or avoid such adverse tax treatment without materially impairing Executive's economic rights.

19. Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

20. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

FREESCALE SEMICONDUCTOR HOLDINGS I, LTD.

By: /s/ Paul C. Schorr, IV
Name: Paul C. Schorr, IV
Title: Director

Agreed and acknowledged as of the date first above written:

/s/ Richard Beyer
Executive

Exhibit A – Definitions

"Affiliate": Any corporation or other entity that is an "Affiliate" of the Company within the meaning of the Investors Agreement.

"Adjustment Event": Either (i) a cash dividend with respect to shares of Common Stock paid to all or substantially all holders of shares of Common Stock, other than cash dividends in respect of shares of Common Stock declared by the Board as part of a regular dividend payment practice or stated cash dividend policy of the Company following an IPO, or (ii) a substantially pro rata redemption or substantially pro rata repurchase by the Company, of all or part of any class of stock of the Company.

"Board": The Board of Directors of Freescale Semiconductor Holdings I, Ltd.

"Cause": "Cause" as defined in the Investors Agreement.

"Change of Control": Any of the following: (i) a Change of Control within the meaning of the Investors Agreement; (ii) directly or indirectly a sale, transfer or other conveyance of all or substantially all of the assets of Freescale Semiconductor, Inc. ("Freescale"), on a consolidated basis, to any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable), as an entirety or substantially as an entirety in one transaction or series of related transactions; (iii) any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable), other than one or more Qualified Institutional Investors, is or becomes the "beneficial owner" (as that term is used in Rules 13d-3 and 13d-5 under the Exchange Act, whether or not applicable), directly or indirectly, of more than 50% of the total voting power of all Voting Stock then outstanding of Freescale, provided that for so long as (x) the Partnership and its subsidiaries own more than 50% of the total voting power of all Voting Stock of Freescale and (y) one or more Qualified Institutional Investors own more than 50% of the total voting power of all Voting Stock of the general partner of the Partnership, such Qualified Institutional Investors will be deemed to beneficially own the Freescale Voting Stock owned by the Partnership and its subsidiaries; or (iv) during any period of 24-consecutive months, individuals who at the beginning of such period constituted the board of directors of Freescale (together with any new directors whose election by such board of directors or whose nomination for election by the stockholders of Freescale was approved by a vote of a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the board of directors of Freescale then in office. Notwithstanding anything herein to the contrary, for purposes of this Agreement, no Change of Control shall be deemed to have occurred unless the events constituting such Change of Control also constitute a "change in the ownership or effective control of the corporation, or in the ownership of a substantial portion of the assets of the corporation," as such phrase is defined Section 409A of the Code and the regulations promulgated thereunder.

"Code": The U.S. Internal Revenue Code of 1986 as from time to time amended and in effect, or any successor statute as from time to time in effect.

"Committee": The Board or, if one or more has been appointed, a committee of the Board. The Committee may delegate ministerial tasks to such persons as it deems appropriate.

"Common Stock": Common shares of the Company, par value $.01 per share.

"Company": Freescale Semiconductor Holdings I, Ltd., a Bermuda exempted limited liability company.

"Disability": "Disability" as defined in the Investors Agreement.

"Effective Date": "Effective Date" as defined in the Employment Agreement.

"Employment": The Executive's employment or other service relationship (including service as a member of the Board of Directors) with the Company and its Affiliates. If the Executive's relationship is with an Affiliate and that entity ceases to be an Affiliate, the Executive will be deemed to cease Employment when the entity ceases to be an Affiliate unless the Executive transfers Employment to the Company or its remaining Affiliates.

"Employment Agreement": The employment agreement between the Company and the Executive to which this Agreement is an annex.

"Exchange Act": The Securities Exchange Act of 1934, as amended.

"Fair Market Value": "Fair Market Value" as defined in the Investors Agreement

"Good Reason": "Good Reason" as defined in the Investors Agreement.

"Investors Agreement": Investors Agreement by and among Freescale Holdings L.P., Freescale Holdings (Bermuda) I, Ltd., Freescale Holdings (Bermuda) II, Ltd., Freescale Holdings (Bermuda) III, Ltd., Freescale Acquisition Holdings Corp., Freescale Holdings (Bermuda) IV, Ltd., Freescale Acquisition Corporation and Certain Freescale Holdings L.P. Investors and certain stockholders of Freescale Holdings (Bermuda) I, Ltd. dated as of December 1, 2006.

"Partnership": Freescale Holdings L.P., a Cayman Islands exempted limited partnership, together with any successor thereto.

"Qualified Institutional Investors": "Qualified Institutional Investors" as defined in the Investors Agreement.

"Restrictive Covenants": "Restrictive Covenants" as defined in the Investors Agreement.

"Retirement": The Executive's voluntary termination of Employment other than for Cause after the date on which the Executive has reached the age of 55 and has a total of at least five years combined and continuous employment with the Company.

"Securities Act": The Securities Act of 1933, as amended.

"Shares": Common shares of the Company, par value $.01 per share.

“Voting Stock”: All classes of capital stock or shares then outstanding and normally entitled to vote in elections of directors.

Exhibit B – Restrictive Covenants

(a) Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Company and its Affiliates (collectively, the "**Affiliated Group**"), all secret or confidential information, knowledge or data relating to the Affiliated Group and its businesses (including, without limitation, any proprietary and not publicly available information concerning any processes, methods, trade secrets, research or secret data, costs, names of users or purchasers of their respective products or services, business methods, operating procedures or programs or methods of promotion and sale) that the Executive obtains during the Executive's Employment that is not public knowledge (other than as a result of the Executive's violation of this Section (a)) ("**Confidential Information**"). The Executive shall not communicate, divulge or disseminate Confidential Information at any time during or after the Executive's Employment, except with the prior written consent of the Company, or as otherwise required by law or legal process or as such disclosure or use may be required in the course of the Executive performing his duties and responsibilities with the Affiliated Group. Notwithstanding the foregoing provisions, if the Executive is required to disclose any such confidential or proprietary information pursuant to applicable law or a subpoena or court order, the Executive shall promptly notify the Company in writing of any such requirement so that the Company or the appropriate member of the Affiliated Group may seek an appropriate protective order or other appropriate remedy or waive compliance with the provisions hereof. The Executive shall reasonably cooperate with the Company or the appropriate member of the Affiliated Group to obtain such a protective order or other remedy. If such order or other remedy is not obtained prior to the time the Executive is required to make the disclosure, or the Company waives compliance with the provisions hereof, the Executive shall disclose only that portion of the confidential or proprietary information which he is advised by counsel in writing (either his or the Company's) that he is legally required to so disclose. Upon his termination of Employment for any reason, the Executive shall promptly return to the Company all records, files, memoranda, correspondence, notebooks, notes, reports, customer lists, drawings, plans, documents, and other documents and the like relating to the business of the Affiliated Group or containing any trade secrets relating to the Affiliated Group or that the Executive uses, prepares or comes into contact with during the course of the Executive's employment with the Affiliated Group, and all keys, credit cards and passes, and such materials shall remain the sole property of the Affiliated Group. The Executive agrees to execute any standard-form confidentiality agreements with the Company that the Company in the future generally enters into with its senior executives.

(b) Work Product and Inventions. The Affiliated Group and/or its nominees or assigns shall own all right, title and interest in and to any and all inventions, ideas, trade secrets, technology, devices, discoveries, improvements, processes, developments, designs, know how, show-how, data, computer programs, algorithms, formulae, works of authorship, works modifications, trademarks,

trade names, documentation, techniques, designs, methods, trade secrets, technical specifications, technical data, concepts, expressions, patents, patent rights, copyrights, moral rights, and all other intellectual property rights or other developments whatsoever (collectively, "**Developments**"), whether or not patentable, reduced to practice or registrable under patent, copyright, trademark or other intellectual property law anywhere in the world, made, authored, discovered, reduced to practice, conceived, created, developed or otherwise obtained by the Executive (alone or jointly with others) during the Executive's Employment with the Affiliated Group, and arising from or relating to such employment or the business of the Affiliated Group (whether during business hours or otherwise, and whether on the premises of using the facilities or materials of the Affiliated Group or otherwise). The Executive shall promptly and fully disclose to the Affiliated Group and to no one else all Developments, and hereby assigns to the Affiliated Group without further compensation all right, title and interest the Executive has or may have in any Developments, and all patents, copyrights, or other intellectual property rights relating thereto, and agrees that the Executive has not acquired and shall not acquire any rights during the course of his employment with the Affiliated Group or thereafter with respect to any Developments.

(c) Non-Recruitment of Affiliated Group Employees. The Executive shall not, at any time during the Nonsolicitation Restricted Period (as defined below), other than in the ordinary exercise of his duties, without the prior written consent of the Affiliated Group, directly or indirectly, solicit, recruit, or employ (whether as an employee, officer, agent, consultant or independent contractor) any person who is or was at any time during the previous 12 months, an employee, representative, officer or director of any member of the Affiliated Group. Further, during the Nonsolicitation Restricted Period, the Executive shall not take any action that could reasonably be expected to have the effect of directly encouraging or inducing any person to cease their relationship with any member of the Affiliated Group for any reason. A general employment advertisement by an entity of which the Executive is a part will not constitute solicitation or recruitment. The "**Nonsolicitation Restricted Period**" shall mean the period from the Date of Grant through the second anniversary of the Executive's termination of Employment.

(d) Non-Competition – Solicitation of Business. During the Noncompetition Restricted Period (as defined below), the Executive shall not, either directly or indirectly, compete with the business of the Affiliated Group by (i) becoming an officer, agent, employee, partner or director of any other corporation, partnership or other entity, or otherwise render services to or assist or hold an interest (except as a less than 3-percent shareholder of a publicly traded corporation or as a less than 5-percent shareholder of a corporation that is not publicly traded) in any Competitive Business (as defined below), or (ii) soliciting, servicing, or accepting the business of (A) any active customer of any member of the Affiliated Group, or (B) any person or entity who is or was at any time during the previous twelve months a customer of any member of the Affiliated Group, provided that such

business is competitive with any significant business of any member of the Affiliated Group. "**Competitive Business**" shall mean any person or entity (including any joint venture, partnership, firm, corporation, or limited liability company) that conducts a business that is competitive with any significant business of the Affiliated Group as of the date of termination (or any significant business that is being actively pursued as of the date of termination by the Affiliated Group). The "**Noncompetition Restricted Period**" shall mean the period from the Date of Grant through the second anniversary of the date of termination of the Executive's Employment.

(e) Assistance. The Executive agrees that during and after his employment by the Affiliated Group, upon request by the Company, the Executive will assist the Affiliated Group in the defense of any claims, or potential claims that may be made or threatened to be made against any member of the Affiliated Group in any action, suit or proceeding, whether civil, criminal, administrative, investigative or otherwise (a "**Proceeding**"), and will assist the Affiliated Group in the prosecution of any claims that may be made by any member of the Affiliated Group in any Proceeding, to the extent that such claims may relate to the Executive's Employment or the period of the Executive's Employment by the Affiliated Group. The Executive agrees, unless precluded by law, to promptly inform the Company if the Executive is asked to participate (or otherwise become involved) in any Proceeding involving such claims or potential claims. The Executive also agrees, unless precluded by law, to promptly inform the Company if the Executive is asked to assist in any investigation (whether governmental or otherwise) of any member of the Affiliated Group (or their actions), regardless of whether a lawsuit has then been filed against any member of the Affiliated Group with respect to such investigation. The Company agrees to reimburse the Executive for all of the Executive's reasonable out-of-pocket expenses associated with such assistance, including travel expenses and any attorneys' fees and shall pay a reasonable per diem fee for the Executive's service. In addition, the Executive agrees to provide such services as are reasonably requested by the Company to assist any successor to the Executive in the transition of duties and responsibilities to such successor. Any services or assistance contemplated in this Section (e) shall be at mutually agreed to and convenient times.

(f) Remedies. The Executive acknowledges and agrees that the terms of this Exhibit B: (i) are reasonable in geographic and temporal scope, (ii) are necessary to protect legitimate proprietary and business interests of the Affiliated Group in, inter alia, near permanent customer relationships and confidential information. The Executive further acknowledges and agrees that the Executive's breach of the provisions of this Exhibit B will cause the Affiliated Group irreparable harm, which cannot be adequately compensated by money damages. The Executive consents and agrees that the forfeiture provisions contained in the Agreement and the Investors Agreement are reasonable remedies in the event the Executive commits any such breach. If any of the provisions of this Exhibit B are determined to be wholly or partially unenforceable, the Executive hereby agrees that Exhibit B or any provision hereof may be reformed so that it is enforceable to

the maximum extent permitted by law. If any of the provisions of this Exhibit B are determined to be wholly or partially unenforceable in any jurisdiction, such determination shall not be a bar to or in any way diminish the Affiliated Group's right to enforce any such covenant in any other jurisdiction.

EXHIBIT 10.6

FREESCALE SEMICONDUCTOR, INC.

DEFERRED COMPENSATION AGREEMENT

THIS AGREEMENT (this "Agreement"), is made effective as of February 11th, 2008 between Freescale Semiconductor, Inc. (the "Company") and Richard M. Beyer (the "Executive"):

R E C I T A L S:

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its shareholders to enter into the deferred compensation arrangement provided for herein with the Executive pursuant to the terms set forth herein.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties agree as follows:

1. Defined Terms. Capitalized terms used herein and not otherwise defined herein shall have the meaning assigned to such terms in Exhibit A.

2. Grant of Deferred Compensation. The Company hereby grants to the Executive, on the terms and conditions hereinafter set forth, deferred compensation of $12,500,000 pursuant to the terms and conditions of this Agreement (the "Deferred Compensation").

3. Vesting Period. Subject to the Executive's continued Employment, or except as otherwise provided below, thirty-three and one-third percent (33 1/3%) of the Deferred Compensation covered by this Agreement shall vest on each of the first, second and third anniversaries of the Effective Date. At any time, the portion of the Deferred Compensation which has become vested as described above shall be referred to as the "Vested Portion".

4. Payment. Payment of the Vested Portion of the Deferred Compensation shall be made as soon as administratively practicable following the earliest to occur of: (i) the Executive's termination of Employment; (ii) the Executive's death; (iii) the Executive's Disability; (iv) a Change of Control; or (v) the third anniversary of the Effective Date.

5. Accelerated Payment on Change of Control. Notwithstanding any other provisions of this Agreement to the contrary, in the event of a Change of Control, the unvested portion of the Deferred Compensation shall become fully vested.

6. Termination of Employment.

(a) General. If the Executive's Employment is terminated for any reason, the Executive's right to payment of the Deferred Compensation shall, to the extent the Deferred Compensation is not then vested (after giving effect to the provisions of Section 5 and this Section 6), terminate upon the termination of such Employment.

(b) For Cause. The Deferred Compensation (including any Vested Portion thereof) shall terminate upon the Executive's termination of Employment for Cause.

(c) Without Cause or for Good Reason. Upon the Executive's termination of Employment without Cause or by the Executive for Good Reason, the Deferred Compensation shall become vested in an amount equal to the amount of Deferred Compensation that would have vested on the next anniversary of the Effective Date if the Executive had remained employed until such date (the "Subsequent Vested Amount"), multiplied by a fraction, the numerator of which equals the number of days elapsed from the vesting date immediately preceding termination of the Executive's Employment or the Effective Date, as applicable, through the Executive's termination of Employment and the denominator of which equals 365, plus the Subsequent Vested Amount; subject in all circumstances to the maximum of the Deferred Compensation as of the date of such termination of Employment. Any portion of the Deferred Compensation that is not vested after giving effect to the above provisions of this Section 6(c) shall terminate immediately effective as of the termination of the Executive's Employment.

(d) Death. Upon the Executive's termination of Employment due to death, the Deferred Compensation shall become fully vested.

(e) Disability. Upon the Executive's termination of Employment due to Disability, the Deferred Compensation shall become fully vested.

(f) By the Executive Other Than Due to Disability or Good Reason. If the Executive's Employment is terminated on account of a termination of the Executive's Employment initiated by the Executive other than due to Disability or Good Reason, then the unvested portion of the Deferred Compensation shall be automatically forfeited.

(g) Six-Month Waiting Period for Distributions Upon Separation From Service. To the extent required by Section 409A of the Code, any payment that would otherwise be payable under this Agreement during the six-month period immediately following the Executive's termination of Employment, shall instead be paid on the first business day after the expiration of such six-month period, plus interest thereon, at a rate equal to the applicable Federal short-term rate (as defined in Section 1274(d) of the Code) for the month in which such date of termination occurs from the respective dates on which such amounts would otherwise have been paid until the actual date of payment. In no event will any payment be made hereunder, unless the relevant termination of Employment constitutes a "separation from service" under Section 409A.

7. Certain Covenants. The Executive hereby agrees and covenants to perform all of his obligations set forth in Exhibit B hereto (which is incorporated by reference hereby) and acknowledges that the Executive's obligations set forth in Exhibit B constitute a material inducement for the Company's grant of the Deferred Compensation to the Executive.

8. No Right to Continued Employment. The granting of the Deferred Compensation evidenced hereby and this Agreement shall impose no obligation on the Company or any Affiliate to continue the Employment of the Executive and shall not lessen or affect the Company's or its Affiliate's right to terminate the Employment of the Executive.

9. Withholding. The Executive may be required to pay to the Company or any Affiliate and the Company shall have the right and is hereby authorized to withhold from any payment due or transfer made under the Deferred Compensation of any applicable withholding taxes in respect of the Deferred Compensation or any payment or transfer under or with respect to the Deferred Compensation and to take such other action as may be necessary in the opinion of the Committee to satisfy all obligations for the payment of such withholding taxes.

10. Notices. Any notice necessary under this Agreement shall be addressed to the Company in care of its Secretary at the principal executive office of the Company and to the Executive at the address appearing in the personnel records of the Company for the Executive or to either party at such other address as either party hereto may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

11. Governing Law. This Agreement and all claims arising out of or based upon this Agreement or relating to the subject matter hereof shall be governed by and construed in accordance with the domestic substantive laws of the State of New York without giving effect to any choice or conflict of laws provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction.

12. Consent to Jurisdiction. All actions arising out of or relating to this Agreement shall be heard and determined exclusively in any New York state or federal court sitting in the Borough of Manhattan in The City of New York. The parties hereto hereby (a) submit to the exclusive jurisdiction of any state or federal court sitting in the Borough of Manhattan of The City of New York for the purpose of any action arising out of or relating to this Agreement brought by any party hereto, and (b) irrevocably waive, and agree not to assert by way of motion, defense, or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune of from attachment or execution, that the action is brought in an inconvenient forum, that the venue of the action is improper, or that this Agreement or the transactions contemplated hereby may not be enforced in or by any of the above-named courts.

13. WAIVER OF JURY TRIAL. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW WHICH CANNOT BE WAIVED, EACH PARTY HERETO HEREBY WAIVES AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE OR ACTION, CLAIM, CAUSE OF ACTION OR SUIT (IN CONTRACT, TORT OR OTHERWISE), INQUIRY, PROCEEDING OR INVESTIGATION ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE SUBJECT MATTER HEREOF OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE TRANSACTIONS CONTEMPLATED HEREBY, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING. EACH PARTY HERETO ACKNOWLEDGES THAT IT HAS BEEN INFORMED BY THE OTHER PARTIES HERETO THAT THIS

SECTION 14 CONSTITUTES A MATERIAL INDUCEMENT UPON WHICH THEY ARE RELYING AND WILL RELY IN ENTERING INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY. ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 14 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF EACH SUCH PARTY TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

14. Section 409A. It is intended that the terms of this Agreement comply with Section 409A of the Code. If it is determined that the terms of this Agreement have been structured in a manner that would result in adverse tax treatment under Section 409A of the Code, the parties agree to cooperate in taking all reasonable measures to restructure the arrangement to minimize or avoid such adverse tax treatment without materially impairing Executive's economic rights.

15. Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

16. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

FREESCALE SEMICONDUCTOR, INC.

By: /s/ Paul C. Schorr, IV
Name: Paul C. Schorr, IV
Title: Authorized Signatory

Agreed and acknowledged as of the date first above written:

/s/ Richard Beyer
Executive

Exhibit A – Definitions

"Affiliate": Any corporation or other entity that is an "Affiliate" of the Company within the meaning of the Investors Agreement.

"Cause": "Cause" as defined in the Investors Agreement.

"Change of Control": Any of the following: (i) a Change of Control within the meaning of the Investors Agreement; (ii) directly or indirectly a sale, transfer or other conveyance of all or substantially all of the assets of Freescale Semiconductor, Inc. ("Freescale"), on a consolidated basis, to any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable), as an entirety or substantially as an entirety in one transaction or series of related transactions; (iii) any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable), other than one or more Qualified Institutional Investors, is or becomes the "beneficial owner" (as that term is used in Rules 13d-3 and 13d-5 under the Exchange Act, whether or not applicable), directly or indirectly, of more than 50% of the total voting power of all Voting Stock then outstanding of Freescale, provided that for so long as (x) the Partnership and its subsidiaries own more than 50% of the total voting power of all Voting Stock of Freescale and (y) one or more Qualified Institutional Investors own more than 50% of the total voting power of all Voting Stock of the general partner of the Partnership, such Qualified Institutional Investors will be deemed to beneficially own the Freescale Voting Stock owned by the Partnership and its subsidiaries; or (iv) during any period of 24-consecutive months, individuals who at the beginning of such period constituted the board of directors of Freescale (together with any new directors whose election by such board of directors or whose nomination for election by the stockholders of Freescale was approved by a vote of a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the board of directors of Freescale then in office. Notwithstanding anything herein to the contrary, for purposes of this Agreement, no Change of Control shall be deemed to have occurred unless the events constituting such Change of Control also constitute a "change in the ownership or effective control of the corporation, or in the ownership of a substantial portion of the assets of the corporation," as such phrase is defined Section 409A of the Code and the regulations promulgated thereunder.

"Code": The U.S. Internal Revenue Code of 1986 as from time to time amended and in effect, or any successor statute as from time to time in effect.

"Committee": The Board of Directors of Freescale Semiconductor, Inc. or, if one or more has been appointed, a committee of such Board. The Committee may delegate ministerial tasks to such persons as it deems appropriate.

"Company": Freescale Semiconductor, Inc., a United States corporation.

"Disability": "Disability" as defined in the Investors Agreement.

“Effective Date”: “Effective Date” as defined in the Employment Agreement.

“Employment”: The Executive’s employment or other service relationship with the Company and its Affiliates. If the Executive’s relationship is with an Affiliate and that entity ceases to be an Affiliate, the Executive will be deemed to cease Employment when the entity ceases to be an Affiliate unless the Executive transfers Employment to the Company or its remaining Affiliates.

“Employment Agreement”: The employment agreement between the Company and the Executive to which this Agreement is an annex.

“Exchange Act”: The Securities Exchange Act of 1934, as amended.

“Good Reason”: “Good Reason” as defined in the Investors Agreement.

“Investors Agreement”: Investors Agreement by and among Freescale Holdings L.P., Freescale Holdings (Bermuda) I, Ltd., Freescale Holdings (Bermuda) II, Ltd., Freescale Holdings (Bermuda) III, Ltd., Freescale Acquisition Holdings Corp., Freescale Holdings (Bermuda) IV, Ltd., Freescale Acquisition Corporation and Certain Freescale Holdings L.P. Investors and certain stockholders of Freescale Holdings (Bermuda) I, Ltd. dated as of December 1, 2006.

“Qualified Institutional Investors”: “Qualified Institutional Investors” as defined in the Investors Agreement.

“Restrictive Covenants”: “Restrictive Covenants” as defined in the Investors Agreement.

“Voting Stock”: All classes of capital stock or shares then outstanding and normally entitled to vote in elections of directors.

Exhibit B – Restrictive Covenants

(a) Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Company and its Affiliates (collectively, the "**Affiliated Group**"), all secret or confidential information, knowledge or data relating to the Affiliated Group and its businesses (including, without limitation, any proprietary and not publicly available information concerning any processes, methods, trade secrets, research or secret data, costs, names of users or purchasers of their respective products or services, business methods, operating procedures or programs or methods of promotion and sale) that the Executive obtains during the Executive's Employment that is not public knowledge (other than as a result of the Executive's violation of this Section (a)) ("**Confidential Information**"). The Executive shall not communicate, divulge or disseminate Confidential Information at any time during or after the Executive's Employment, except with the prior written consent of the Company, or as otherwise required by law or legal process or as such disclosure or use may be required in the course of the Executive performing his duties and responsibilities with the Affiliated Group. Notwithstanding the foregoing provisions, if the Executive is required to disclose any such confidential or proprietary information pursuant to applicable law or a subpoena or court order, the Executive shall promptly notify the Company in writing of any such requirement so that the Company or the appropriate member of the Affiliated Group may seek an appropriate protective order or other appropriate remedy or waive compliance with the provisions hereof. The Executive shall reasonably cooperate with the Company or the appropriate member of the Affiliated Group to obtain such a protective order or other remedy. If such order or other remedy is not obtained prior to the time the Executive is required to make the disclosure, or the Company waives compliance with the provisions hereof, the Executive shall disclose only that portion of the confidential or proprietary information which he is advised by counsel in writing (either his or the Company's) that he is legally required to so disclose. Upon his termination of Employment for any reason, the Executive shall promptly return to the Company all records, files, memoranda, correspondence, notebooks, notes, reports, customer lists, drawings, plans, documents, and other documents and the like relating to the business of the Affiliated Group or containing any trade secrets relating to the Affiliated Group or that the Executive uses, prepares or comes into contact with during the course of the Executive's employment with the Affiliated Group, and all keys, credit cards and passes, and such materials shall remain the sole property of the Affiliated Group. The Executive agrees to execute any standard-form confidentiality agreements with the Company that the Company in the future generally enters into with its senior executives.

(b) Work Product and Inventions. The Affiliated Group and/or its nominees or assigns shall own all right, title and interest in and to any and all inventions, ideas, trade secrets, technology, devices, discoveries, improvements, processes, developments, designs, know how, show-how, data, computer programs, algorithms, formulae, works of authorship, works modifications, trademarks,

trade names, documentation, techniques, designs, methods, trade secrets, technical specifications, technical data, concepts, expressions, patents, patent rights, copyrights, moral rights, and all other intellectual property rights or other developments whatsoever (collectively, "**Developments**"), whether or not patentable, reduced to practice or registrable under patent, copyright, trademark or other intellectual property law anywhere in the world, made, authored, discovered, reduced to practice, conceived, created, developed or otherwise obtained by the Executive (alone or jointly with others) during the Executive's Employment with the Affiliated Group, and arising from or relating to such employment or the business of the Affiliated Group (whether during business hours or otherwise, and whether on the premises of using the facilities or materials of the Affiliated Group or otherwise). The Executive shall promptly and fully disclose to the Affiliated Group and to no one else all Developments, and hereby assigns to the Affiliated Group without further compensation all right, title and interest the Executive has or may have in any Developments, and all patents, copyrights, or other intellectual property rights relating thereto, and agrees that the Executive has not acquired and shall not acquire any rights during the course of his employment with the Affiliated Group or thereafter with respect to any Developments.

(c) Non-Recruitment of Affiliated Group Employees. The Executive shall not, at any time during the Nonsolicitation Restricted Period (as defined below), other than in the ordinary exercise of his duties, without the prior written consent of the Affiliated Group, directly or indirectly, solicit, recruit, or employ (whether as an employee, officer, agent, consultant or independent contractor) any person who is or was at any time during the previous 12 months, an employee, representative, officer or director of any member of the Affiliated Group. Further, during the Nonsolicitation Restricted Period, the Executive shall not take any action that could reasonably be expected to have the effect of directly encouraging or inducing any person to cease their relationship with any member of the Affiliated Group for any reason. A general employment advertisement by an entity of which the Executive is a part will not constitute solicitation or recruitment. The "**Nonsolicitation Restricted Period**" shall mean the period from the Date of Grant through the second anniversary of the Executive's termination of Employment.

(d) Non-Competition – Solicitation of Business. During the Noncompetition Restricted Period (as defined below), the Executive shall not, either directly or indirectly, compete with the business of the Affiliated Group by (i) becoming an officer, agent, employee, partner or director of any other corporation, partnership or other entity, or otherwise render services to or assist or hold an interest (except as a less than 3-percent shareholder of a publicly traded corporation or as a less than 5-percent shareholder of a corporation that is not publicly traded) in any Competitive Business (as defined below), or (ii) soliciting, servicing, or accepting the business of (A) any active customer of any member of the Affiliated Group, or (B) any person or entity who is or was at any time during the previous twelve months a customer of any member of the Affiliated Group, provided that such

business is competitive with any significant business of any member of the Affiliated Group. "**Competitive Business**" shall mean any person or entity (including any joint venture, partnership, firm, corporation, or limited liability company) that conducts a business that is competitive with any significant business of the Affiliated Group as of the date of termination (or any significant business that is being actively pursued as of the date of termination by the Affiliated Group). The "**Noncompetition Restricted Period**" shall mean the period from the Date of Grant through the second anniversary of the date of termination of the Executive's Employment.

(e) Assistance. The Executive agrees that during and after his employment by the Affiliated Group, upon request by the Company, the Executive will assist the Affiliated Group in the defense of any claims, or potential claims that may be made or threatened to be made against any member of the Affiliated Group in any action, suit or proceeding, whether civil, criminal, administrative, investigative or otherwise (a "**Proceeding**"), and will assist the Affiliated Group in the prosecution of any claims that may be made by any member of the Affiliated Group in any Proceeding, to the extent that such claims may relate to the Executive's Employment or the period of the Executive's Employment by the Affiliated Group. The Executive agrees, unless precluded by law, to promptly inform the Company if the Executive is asked to participate (or otherwise become involved) in any Proceeding involving such claims or potential claims. The Executive also agrees, unless precluded by law, to promptly inform the Company if the Executive is asked to assist in any investigation (whether governmental or otherwise) of any member of the Affiliated Group (or their actions), regardless of whether a lawsuit has then been filed against any member of the Affiliated Group with respect to such investigation. The Company agrees to reimburse the Executive for all of the Executive's reasonable out-of-pocket expenses associated with such assistance, including travel expenses and any attorneys' fees and shall pay a reasonable per diem fee for the Executive's service. In addition, the Executive agrees to provide such services as are reasonably requested by the Company to assist any successor to the Executive in the transition of duties and responsibilities to such successor. Any services or assistance contemplated in this Section (e) shall be at mutually agreed to and convenient times.

(f) Remedies. The Executive acknowledges and agrees that the terms of this Exhibit B: (i) are reasonable in geographic and temporal scope, (ii) are necessary to protect legitimate proprietary and business interests of the Affiliated Group in, inter alia, near permanent customer relationships and confidential information. The Executive further acknowledges and agrees that the Executive's breach of the provisions of this Exhibit B will cause the Affiliated Group irreparable harm, which cannot be adequately compensated by money damages. The Executive consents and agrees that the forfeiture provisions contained in this Agreement and the Investors Agreement are reasonable remedies in the event the Executive commits any such breach. If any of the provisions of this Exhibit B are determined to be wholly or partially unenforceable, the Executive hereby agrees that Exhibit B or any provision hereof may be reformed so that it is enforceable to

the maximum extent permitted by law. If any of the provisions of this Exhibit B are determined to be wholly or partially unenforceable in any jurisdiction, such determination shall not be a bar to or in any way diminish the Affiliated Group's right to enforce any such covenant in any other jurisdiction.

AMENDED AND RESTATED
FREESCALE SEMICONDUCTOR HOLDINGS
2007 EMPLOYEE INCENTIVE PLAN

1. DEFINED TERMS

Exhibit A, which is incorporated by reference, defines the terms used in the Plan and in the Award Agreements.

2. PURPOSE

The Plan has been established to advance the interests of the Company and its Affiliates by providing for the grant to Participants of Awards.

3. ADMINISTRATION

The Committee has discretionary authority, subject only to the express provisions of the Plan and the Award Agreements, to interpret the Plan; determine eligibility for and grant Awards; determine, modify or waive the terms and conditions of any Award; prescribe forms, rules and procedures; and otherwise do all things necessary to carry out the purposes of the Plan. Except as otherwise provided by the express terms of an Award Agreement, all determinations of the Committee made under the Plan will be conclusive and will bind all parties.

4. LIMITS ON AWARDS UNDER THE PLAN

(a) Number of Shares. A maximum of 4,949,711 shares of Common Stock of the Company may be delivered in satisfaction of Awards under the Plan. The issuance of Shares, the payment of cash upon the exercise of an Award, the withholding of Shares in satisfaction of the exercise price of Stock Options or the withholding of Shares in satisfaction of tax withholding requirements shall reduce the total number of Shares available under the Plan, as applicable. Shares which are subject to Awards (or portion thereof) that are canceled, forfeited or otherwise terminated may be granted again under the Plan. Common Stock issued under awards of an acquired company that are converted, replaced or adjusted in connection with the acquisition shall not reduce the number of shares available for Awards under the Plan.

(b) Type of Shares. Common Stock delivered under the Plan may be authorized but unissued Common Stock or previously issued Common Stock acquired by the Company or any of its Affiliates and may include fractional shares of Common Stock.

5. ELIGIBILITY AND PARTICIPATION

The Committee, based upon recommendations of the Company and it Affiliates, will select Participants from among those key Employees of the Company or its Affiliates who, in the opinion of the Committee, are in a position to make a significant contribution to the success of the Company and its Affiliates.

6. RULES APPLICABLE TO STOCK OPTIONS

(a) General.

(1) Stock Option Provisions. The Committee will determine the terms of all Stock Options, subject to the limitations provided herein, and shall furnish to each Participant an Award Agreement setting forth the terms applicable to the Participant's Stock Option. By entering into an Award Agreement, the Participant agrees to the terms of the Stock Option and of the Plan, to the extent not inconsistent with the express terms of the Award Agreement. Notwithstanding any provision of this Plan to the contrary, awards of an acquired company that are converted, replaced or adjusted in connection with the acquisition may contain terms and conditions that are inconsistent with the terms and conditions specified herein, as determined by the Committee.

(2) Transferability. Except as otherwise provided in the Shareholders Agreement or as the Committee otherwise expressly provides, Stock Options may not be transferred other than by will or by the laws of descent and distribution, and during a Participant's lifetime, except as the Committee otherwise expressly provides, may be exercised only by the Participant.

(3) Vesting, Etc. The Committee may determine the time or times at which a Stock Option will vest or become exercisable and the terms on which a Stock Option requiring exercise will remain exercisable. Unless the Committee expressly provides otherwise, a vested Stock Option shall be exercisable only on or after the earlier to occur of (i) the date which is six (6) months after the effective date of a Public Offering and (ii) the seventh anniversary of the date of grant. Without limiting the foregoing, the Committee may at any time accelerate the vesting or exercisability of a Stock Option, regardless of any adverse or potentially adverse tax consequences resulting from such acceleration. Unless the Committee expressly provides otherwise in an Award Agreement, immediately upon the cessation of a Participant's Employment all Stock Options will cease to be exercisable and will terminate, except that:

(A) subject to (B) and (C) below, all Stock Options held by the Participant or the Participant's permitted transferees (as determined by reference to the Shareholders Agreement and applicable Award Agreement), if any, immediately prior to the cessation of the Participant's Employment, to the extent then exercisable, will remain exercisable for the shorter of (i) a period of 90 days or (ii) the period ending on the latest date on which such Stock Option could have been exercised without regard to this Section 6(a)(3), and will thereupon terminate;

(B) all Stock Options held by a Participant or the Participant's permitted transferees, if any, immediately prior to the Participant's death or Disability, to the extent then exercisable, will remain exercisable for the shorter of (i) the twelve (12) month period following the Participant's death or Disability or (ii) the period ending on the latest date on which such Stock Options could have been exercised without regard to this Section 6(a)(3), and will thereupon terminate; and

(C) all Stock Options held by a Participant or the Participant's permitted transferees, if any, immediately prior to the cessation of the Participant's Employment will immediately terminate upon such cessation if such cessation of Employment was for Cause.

(4) Taxes. The Committee will make such provision for the withholding of taxes as it deems necessary. The Committee may, but need not, hold back shares of Common Stock from a Stock Option or permit a Participant to tender previously owned shares of Common Stock in satisfaction of tax withholding requirements (but not in excess of the applicable minimum statutory withholding rate).

(5) Dividend Equivalents, Etc. To the extent consistent with Section 409A of the Code, the Committee may in its sole discretion provide for the payment of amounts in cash, or for other adjustments to a Stock Option, upon an Adjustment Event, with respect to Common Stock subject to a Stock Option.

(6) Rights Limited. Nothing in the Plan will be construed as giving any person the right to continued Employment with the Company or its Affiliates, continued participation in the Plan, or any rights as a stockholder except as to shares of Common Stock actually issued under the Plan.

(7) Shareholders Agreement. Unless otherwise specifically provided, all Stock Options issued under the Plan and all Common Stock issued thereunder will be subject to the Shareholders Agreement.

(b) Exercise.

(1) Time And Manner Of Exercise. Unless the Committee expressly provides otherwise, a Stock Option permitting exercise by the holder will not be deemed to have been exercised until the Committee receives a notice of exercise (in form acceptable to the Committee) signed by the appropriate person and accompanied by any payment required under the Stock Option. If the Stock Option is exercised by any person other than the Participant, the Committee may require satisfactory evidence that the person exercising the Stock Option has the right to do so.

(2) Exercise Price. Except as otherwise permitted pursuant to Section 6(a)(5) or Section 7(b)(1) hereof, the exercise price of a Stock Option will not be less than the Fair Market Value of the Common Stock subject to the Stock Option, determined as of the date of grant.

(3) Payment Of Exercise Price. Where the exercise of a Stock Option is to be accompanied by payment, the Committee may determine the required or permitted forms of payment, subject to the following: (a) all payments will be by cash or check acceptable to the Committee, or (b) if so permitted by the Committee, (i) through the delivery of shares of Common Stock that have a Fair Market Value equal to the exercise price, except where payment by delivery of shares of Common Stock would adversely affect the Company's results of operations under Generally Accepted Accounting Principles or where payment by delivery of shares of Common Stock outstanding for less than six months would require application of securities laws relating to profit realized on such shares of Common Stock, (ii) where permitted by law, by delivery to the Company of a promissory note of the person exercising the Stock Option, payable on such terms as are specified by the Committee, (iii) at such time, if any, as the Common Stock is publicly traded,

through a broker-assisted exercise program acceptable to the Committee, (iv) by other means acceptable to the Committee, or (v) by means of withholding of shares of Common Stock, with an aggregate Fair Market Value equal to (A) the aggregate exercise price and (B) unless the Company is precluded or restricted from doing so under debt covenants, minimum statutory withholding taxes with respect to such exercise, or (vi) by any combination of the foregoing permissible forms of payment. The delivery of shares of Common Stock in payment of the exercise price under clause (b)(i) above may be accomplished either by actual delivery or by constructive delivery through attestation of ownership, subject to such rules as the Committee may prescribe.

7. EFFECT OF CERTAIN TRANSACTIONS

(a) Change Of Control. Except as otherwise provided in an Award Agreement, in the event of a Change of Control in which there is an acquiring or surviving entity, the Committee may, unless the Committee determines that doing so is inappropriate or unfeasible, provide for the continuation or assumption of some or all outstanding Awards, or for the grant of new awards in substitution therefor, by the acquiror or survivor or an affiliate of the acquiror or survivor, in each case on such terms and subject to such conditions as preserve the intrinsic value of the Award in the Committee's good faith determination. In the event of a Change of Control (whether or not there is an acquiring or surviving entity) in which there is no assumption or substitution as to some or all outstanding Awards, the Committee shall preserve the intrinsic value of the Awards, provide for treating as satisfied any time-based vesting condition on any such Award or for the accelerated delivery of shares of Common Stock issuable under each such Award, or cancel any Award and, in connection therewith, pay an amount (in cash or, in the discretion of the Committee, in the form of consideration paid to shareholders of the Company in connection with such Change of Control) which, in the case of Stock Options, shall equal the excess, if any, of the Fair Market Value of the Shares subject to such Stock Options over the aggregate exercise price of such Stock Options, in each case on a basis that gives the holder of the Award a reasonable opportunity, as determined by the Committee, following exercise or cancellation of the Award or the issuance of the shares, as the case may be, to participate as a stockholder in the Change of Control. Except as otherwise provided in an Award Agreement, each Award (unless assumed pursuant to the first sentence of this Section 7(a)), will terminate upon consummation of the Change of Control.

(b) Changes In, Distributions With Respect To And Redemptions Of Common Stock.

(1) Basic Adjustment Provisions. In the event of any stock dividend or other similar distribution (whether in the form of stock or other securities or other property), stock split or combination of shares (including a reverse stock split), recapitalization, conversion, reorganization, consolidation, split-up, spin-off, combination, merger, exchange of stock, redemption or repurchase of all or part of the shares of any class of stock or any change in the capital structure of the Company or an Affiliate or other transaction or event (other than those described in Section 7(a)), the Committee will, as appropriate in order to prevent enlargement or dilution of benefits intended to be made available under the Plan, make adjustments to the maximum number of shares of Common Stock that may be delivered under the Plan under Section 4(a) and will also make appropriate adjustments to the number and kind of shares of stock, securities or other property (including cash) subject to Awards then outstanding or subsequently granted, any exercise prices relating to Awards and any other provision of Awards affected by such change.

(2) Certain Other Adjustments. The Committee will also make adjustments of the type described in paragraph (1) above to take into account distributions to stockholders other than those provided for in Section 7(a) and 7(b)(1), or any other event, if the Committee determines that adjustments are appropriate to avoid distortion in the operation of the Plan and to preserve the value of Awards made hereunder.

(3) Continuing Application of Plan Terms. References in the Plan to shares of Common Stock will be construed to include any stock or securities resulting from an adjustment pursuant to this Section 7.

8. RESTRICTED CASH AWARDS

The Committee, in its sole discretion, may grant Restricted Cash Awards. Such Restricted Cash Awards shall be dependent on such conditions, as the Committee shall determine, including, without limitation, the right to receive payment upon the completion of a specified period of service, the occurrence of an event and/or the attainment of performance objectives. Restricted Cash Awards may be granted alone or in addition to any other Awards granted under the Plan. Subject to the provisions of the Plan, the Committee shall determine all terms and conditions of such Restricted Cash Awards (including, without limitation, the vesting provisions thereof).

9. LEGAL CONDITIONS ON DELIVERY OF COMMON STOCK

The Company shall, prior to delivering shares of Common Stock pursuant to the Plan or removing any restriction from shares of Common Stock previously delivered under the Plan, ensure that (a) all legal matters in connection with the issuance and delivery of such shares have been addressed and resolved, and (b) if the outstanding Common Stock is at the time of delivery listed on any stock exchange or national market system, the shares to be delivered have been listed or authorized to be listed on such exchange or system upon official notice of issuance. The Company and its Affiliates will be obligated to deliver any shares of Common Stock pursuant to the Plan or to remove any restriction from shares of Common Stock previously delivered under the Plan upon satisfaction or waiver of the conditions set forth in the preceding sentence and all other conditions of the Award Agreement. If the sale of Common Stock has not been registered under the Securities Act of 1933, as amended, the Company may require, as a condition to exercise of the Award, such representations or agreements as counsel for the Company may in good faith recommend to avoid violation of such Act. The Company may require that certificates evidencing Common Stock issued under the Plan bear an appropriate legend reflecting any restriction on transfer applicable to such Common Stock, and the Company may hold the certificates pending lapse of the applicable restrictions.

10. AMENDMENT AND TERMINATION

The Committee, in it sole and absolute discretion, may at any time or times amend or alter the Plan or any outstanding Award and may at any time terminate or discontinue the Plan as to any future grants of Awards; provided, that the Committee may not, without the Participant’s consent, amend or terminate the terms of an Award or the Plan so as to affect adversely the Participants’ or a Participant’s rights under the Shareholders Agreement, an Award or the Plan. Any amendments to the Plan shall be conditioned upon stockholder approval only to the extent, if any, such approval is required by applicable law (including the Code), as determined by the Committee.

11. WAIVER OF JURY TRIAL

By accepting an Award under the Plan, each Participant waives any right to a trial by jury in any action, proceeding or counterclaim concerning any rights under the Plan and any Award, or under any amendment, waiver, consent, instrument, document or other agreement delivered or which in the future may be delivered in connection. therewith, and agrees that any such action, proceedings or counterclaim shall be tried before a court and not before a jury. By accepting an Award under the Plan, each Participant certifies that no officer, representative or attorney of the Company or any Affiliate has represented, expressly or otherwise, that the Company would not, in the event of any action, proceeding or counterclaim, seek to enforce the foregoing waivers.

12. ESTABLISHMENT OF SUB-PLANS

The Board may from time to time establish one or more sub-plans under the Plan for purposes of satisfying applicable blue sky, securities or tax laws of various jurisdictions. The Board shall establish such sub-plans by adopting supplements to the Plan setting forth (i) such limitations on the Committee's discretion under the Plan as the Board deems necessary or desirable and (ii) such additional terms and conditions not otherwise inconsistent with the Plan as the Board shall deem necessary or desirable. All supplements adopted by the Board shall be deemed to be part of the Plan, but each supplement shall apply only to Participants within the affected jurisdiction and the Company shall not be required to provide copies of any supplement to Participants in any jurisdiction that is not affected.

13. SECTION 409A

It is intended that the terms of this Plan comply with Section 409A of the Code. If it is determined that the terms of this Plan have been structured in a manner that would result in adverse tax treatment under Section 409A of the Code, the parties agree to cooperate in taking all reasonable measures to restructure the arrangement to minimize or avoid such adverse tax treatment without materially impairing Participant's economic rights.

14. GOVERNING LAW

Except as otherwise provided by the express terms of an Award Agreement or under a sub-plan described in Section 12, the provisions of the Plan and of Awards under the Plan shall be governed by and interpreted in accordance with the laws of the State of Delaware.

EXHIBIT A

Definitions of Terms

The following terms, when used in the Plan, will have the meanings and be subject to the provisions set forth below:

"Affiliate": Any corporation or other entity that is an "Affiliate" of the Company within the meaning of the Shareholders Agreement.

"Adjustment Event": Either (i) a cash dividend with respect to shares of Common Stock paid to all or substantially all holders of shares of Common Stock, other than cash dividends in respect of shares of Common Stock declared by the Board as part of a regular dividend payment practice or stated cash dividend policy of the Company following a Public Offering, or (ii) a substantially pro rata redemption or substantially pro rata repurchase by the Company, of all or part of any class of stock of the Company.

"Award": any Stock Option or Restricted Cash Award granted pursuant to the Plan.

"Award Agreement": A written agreement between the Company and the Participant evidencing an Award, which may, but need not, be executed or acknowledged by a Participant.

"Board": The Board of Directors of the Company.

"Cause": "Cause" as defined in the Shareholders Agreement.

"Change of Control": Any of the following: (i) a Change of Control within the meaning of the Shareholders Agreement; (ii) directly or indirectly a sale, transfer or other conveyance of all or substantially all of the assets of Freescale Semiconductor, Inc. ("Freescale"), on a consolidated basis, to any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable), as an entirety or substantially as an entirety in one transaction or series of related transactions; (iii) any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable), other than one or more Qualified Institutional Investors, is or becomes the "beneficial owner" (as that term is used in Rules 13d-3 and 13d-5 under the Exchange Act, whether or not applicable), directly or indirectly, of more than 50% of the total voting power of all Voting Stock then outstanding of Freescale, provided that for so long as (x) the Partnership and its subsidiaries own more than 50% of the total voting power of all Voting Stock of Freescale and (y) one or more Qualified Institutional Investors own more than 50% of the total voting power of all Voting Stock of the general partner of the Partnership, such Qualified Institutional Investors will be deemed to beneficially own the Freescale Voting Stock owned by the Partnership and its subsidiaries; or (iv) during any period of 24-consecutive months, individuals who at the beginning of such period constituted the board of directors of Freescale (together with any new directors whose election by such board of directors or whose nomination for election by the stockholders of Freescale was approved by a vote of a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the board of directors of Freescale then in office.

"Code": The U.S. Internal Revenue Code of 1986 as from time to time amended and in effect, or any successor statute as from time to time in effect.

"Committee": The Board or, if one or more has been appointed, a committee of the Board. The Committee may delegate ministerial tasks to such persons as it deems appropriate.

"Common Stock": Common shares of the Company, par value $.01 per share.

"Company": Freescale Semiconductor Holdings I, Ltd., a Bermuda limited company.

"Disability": "Disability" as defined in the Shareholders Agreement.

"Employee": Any person who is employed by the Company or an Affiliate.

"Employment": A Participant's employment or other service relationship with the Company and its Affiliates. Unless the Committee provides otherwise, a Participant who receives an Award in his or her capacity as an Employee will be deemed to cease Employment when the employee-employer relationship with the Company and its Affiliates ceases. A Participant who receives an Award in any other capacity will be deemed to continue Employment so long as the Participant is providing services in such capacity. If a Participant's relationship is with an Affiliate and that entity ceases to be an Affiliate, the Participant will be deemed to cease Employment when the entity ceases to be an Affiliate unless the Participant transfers Employment to the Company or its remaining Affiliates.

"Exchange Act": the Securities Exchange Act of 1934, as amended.

"Fair Market Value": "Fair Market Value" as defined in the Shareholders Agreement.

"Participant": A person who is granted an Award under the Plan.

"Partnership": Freescale Holdings L.P., a Cayman Islands exempted limited partnership, together with any successor thereto.

"Plan": Freescale Semiconductor Holdings 2007 Employee Incentive Plan as from time to time amended and in effect.

"Public Offering": a public offering and sale of equity securities for cash pursuant to an effective registration statement under the Securities Act of 1933 and the rules promulgated thereunder, as amended from time to time.

"Qualified Institutional Investors": "Qualified Institutional Investors" as defined in the Shareholders Agreement.

"Qualified Public Offering": the first underwritten Public Offering (other than any Public Offering or sale pursuant to a registration statement on Form S-4, S-8 or a comparable form) in which the aggregate price to the public of all equity securities sold in such offering in combination with the aggregate price to the public of all equity securities sold in any previous underwritten Public Offerings (other than any Public Offering or sale pursuant to a registration statement on Form S-4, S-8 or a comparable form) shall exceed $750,000,000.

"Restricted Cash Award": an Award granted pursuant to Section 8 of the Plan that is not denominated or valued by reference to Common Stock.

"Shareholders Agreement": Shareholders Agreement by and among Freescale Semiconductor Holdings I, Ltd. and certain stockholders of Freescale Semiconductor Holdings I, Ltd. dated as of March 9, 2007.

"Shares": Common shares of the Company, par value $.01 per share.

"Stock Option": An option entitling the recipient to acquire shares of Common Stock upon payment of the exercise price.

"Voting Stock": all classes of capital stock or shares then outstanding and normally entitled to vote in elections of directors.

Exhibit 31.1

CERTIFICATION

I, Richard Beyer, Chairman of the Board and Chief Executive Officer of Freescale Semiconductor Holdings I, Ltd., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Freescale Semiconductor Holdings I, Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit and Legal Committee of the registrant's Board of Directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2008

/s/ RICHARD BEYER

Richard Beyer
Chairman of the Board and Chief Executive Officer,
Freescale Semiconductor Holdings I, Ltd.

Exhibit 31.2

CERTIFICATION

I, Alan Campbell, Chief Financial Officer of Freescale Semiconductor Holdings I, Ltd., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Freescale Semiconductor Holdings I, Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit and Legal Committee of the registrant's Board of Directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2008

/s/ ALAN CAMPBELL

Alan Campbell
Chief Financial Officer,
Freescale Semiconductor Holdings I, Ltd.

Exhibit 32.1

CERTIFICATION

I, Richard Beyer, Chairman of the Board and Chief Executive Officer of Freescale Semiconductor Holdings I, Ltd., certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) the quarterly report on Form 10-Q for the quarterly period ended June 27, 2008 (the "Quarterly Report"), which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) for the Securities Exchange Act of 1934 (15 U.S.C. 78m) and

(2) information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of Freescale Semiconductor Holdings I, Ltd.

This certificate is being furnished solely for purposes of Section 906.

Dated: July 28, 2008

/s/ RICHARD BEYER

Richard Beyer
Chairman of the Board and Chief Executive Officer,
Freescale Semiconductor Holdings I, Ltd.

Exhibit 32.2

CERTIFICATION

I, Alan Campbell, Chief Financial Officer of Freescale Semiconductor Holdings I, Ltd., certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) the quarterly report on Form 10-Q for the quarterly period ended June 27, 2008 (the "Quarterly Report"), which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) for the Securities Exchange Act of 1934 (15 U.S.C. 78m) and

(2) information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of Freescale Semiconductor Holdings I, Ltd.

This certificate is being furnished solely for purposes of Section 906.

Dated: July 28, 2008

/s/ ALAN CAMPBELL

Alan Campbell
Chief Financial Officer,
Freescale Semiconductor Holdings I, Ltd.